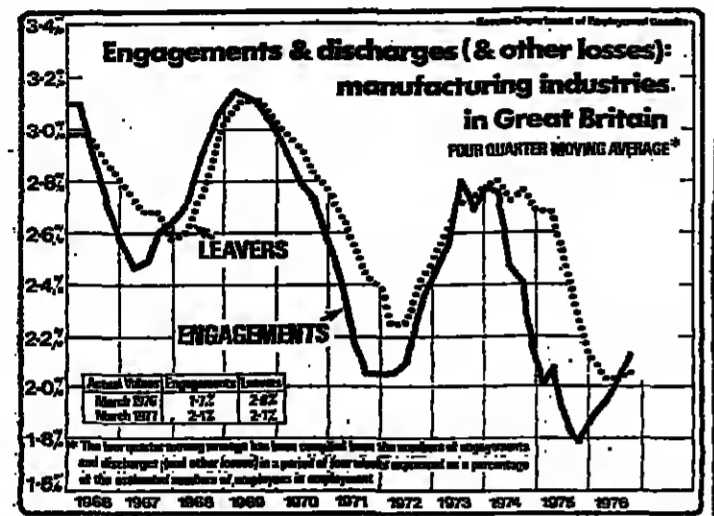




LOMBARD Evidence for a recovery

BY SAMUEL BRITTON THE PESSIMISTS about the British economy received a great boost when it became known that Mr. Healey presented to a week-end Cabinet meeting a Chequers Treasury Paper showing a major improvement between now and 1979. Similar reports from the Chancellor in the past have so often been followed fairly soon by a crisis. But it would not cast Mr. Healey in the role of the man who is always wrong; a person who is reliably wrong—once his true attitude is discovered—is often the most valuable member of a business firm.



The economic forecasters may be a better bet. On those occasions when they are unanimous there is a good chance that they are marking out what will not happen. Early this year both the Keynesians and monetarist forecasters predicted renewed recession—the Keynesians because the industrial demand components seemed woefully inadequate, and the monetarists because the real money supply was falling. Thus there was a fair prospect of continuing recovery. The exact difference between recovery and recession is, of course, a matter of some size. The CBI, which takes the pessimistic view, both reports and predicts further increases in output. The question is whether the growth is fast enough to take up the slack or so slow that unemployment and unused capacity will increase. It has hailed the June rise in employment as confirmation of the latter prospect.

One reason why I remain unconvinced is shown in the attached chart. The Department of Employment Gazette—much the most useful source of untapped economic trends—has just started to publish a regular series of labour turnover in manufacturing, partly in response to my complaints about its absence. It shows that changes in employment come about through the cumulation of small differences between engagements and discharges. In a recession both fall; discharges fall because people think twice about voluntary departure and perhaps also fight redundancy more fiercely.

Table with 2 columns: Across and Down. Contains crossword puzzle clues and answers.

ACROSS 5 Ruth giving nota to slimmer (7) 6 Living round a badger's home could be perplexing (9) 7 Walk when public transport goes quietly (5) 8 Alter notice about people (5) 9 Man in a tie becoming lifeless (9) 10 Arrive with Oriental in attempt to produce treason (9) 11 Little people start taking extra part of periodical (10) 12 A thought from an inside agency (4) 13 Slaming leader must go last for part of match (7) 14 Note a spy producing chemical (7) 15 A looser mixture in pressurised container (7) 16 Hants (7) 17 One Cinque Port totally in hand (7) 18 Lie about being lazy (4) 19 Ruin one pen? It's cheating! (10) 20 Solution to Puzzle No. 3,421

RACING BY DOMINIC WIGAN Turkish Treasure looks safe

WITH THE race conditions weighing heavily in his favour, Vincent O'Brien's Leonato, a foal Smuggler's bid for a second successive Princess of Wales Stakes victory today. Leonato, whose first public effort earned him fourth place in the Gallinule Stakes at the Curragh, appeared to be beaten more by inexperience than any other factor when going down by three-quarters of a length to Classic Example in Royal Ascot's King Edward VII Stakes. O'Brien's Pretense colt failed to stretch out when asked for an effort by Pigott in the rousing finish to that event and the more experienced Classic Example—who has since franked his debut with a fine third-place effort in the Irish Derby—took the initiative. Leonato is sure to be all the better for his Royal Ascot run.

SALE ROOM BY ANTONY THORNCROFT Record £30,000 paperweight

A RECORD auction price for a Clichy convolvulus—bouquet paperweight—£30,000, plus the 10 per cent commission, was paid at Sotheby's by a French buyer yesterday. The price, three times the forecast, and way above the previous—1970—record of £8,500, was paid because of the botanically correct modelling of the leaves, believed to be unique. Another paperweight also beat the record—Tilman, a London dealer, giving £17,500 for a fully signed clichy moss ground weight of the scattered mille-fleur type.

Other good prices were the £5,200 from Hazlett, Gooden and Fox for a Virgin by Salviati; £5,200 from Cotnam for a classical allegory by Aspertini; £4,800 from Baskett and Day for Venice Crowned St. George by Il Giove (record for the artist); and £3,000 from

Radio 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

FILM AND VIDEO BY JOHN CHITTOCK Public sector in close-up

THE EARLIEST and most inspired users of the sponsored documentary film came mainly from the public sector—steaming from the deeply rooted film tradition of the old Empire Marketing Board established in 1926, and spreading to the GPO, the British Commercial Gas Association, Imperial Airways and others. The public utility services in particular have dominated the audio-visual media, and in the 1970s they represent a large sector of the market for available business—not only for producers, but also for suppliers of equipment.

New approach

The Post Office can claim, perhaps, historical influence and even prestige—through the work of the old GPO Film Unit since 1936 classic Night Mail is still available in the current Post Office film catalogue. But the changes that have overtaken the use of audio-visual media in the Post Office reflect the social revolution of the last 40 years, with recent trends forecasting an even more change ahead. The Films Officer of the Post Office was originally employed in the public relations department—but he has now come under the marketing department; that is the name of the game—with films promoting various postal services, especially aimed at businessmen. One recent production about Datapost—The Certain Service—is claimed to have achieved contracts during its first showings worth three times the cost of the film.

Railway cinema

The extent to which audio-visual aids can be usefully employed in a modern business is demonstrated most extensively at British Transport Films. Once famous for its superb general interest documentaries, especially on travel and natural history themes, this British Rail unit now epitomises the point we have now reached in social change. The marketing films are, there of course, selling the EST (high speed train) overseas, plugging containerisation and so on. But mobile television is also used for training, personnel safety education, showing cover infra-process heating, management how to appear on regional and national television. Mr. Peter Parker, BR's new chairman, exemplified the internal communication application with a film message to all employees shortly after he took over; this was distributed on 16mm, Super 8mm, and back projection (16mm.) video exhibitions.

Food Industries chairman

Mr. Bernard E. Harper, chairman of FOOD INDUSTRIES, and latterly chairman of the European Food Emulsifier Manufacturers Association, will be retiring shortly after 20 years' service in Britain. He has succeeded as chairman of Food Industries from August 1 by Dr. David R. Lockhart, until recently raw materials director of BOCM Silcock. Mr. J. A. Stephenson and Mr. F. D. Walters will leave the Board at the same time. Mr. H. M. Arrowsmith has been appointed managing director. Mr. C. S. Gammon and Mr. J. F. Tibbcock have been appointed to the Board and will seek re-election at the annual meeting. These changes follow the sale by the Hodgson Group, a subsidiary of Standard Chartered Bank, of its 70.57 per cent holding in Reliant to J. F. Nash Holdings last month.

HOME CONTRACTS Hall Russell's £6m. Navy order

HALL, RUSSELL AND CO., now part of British Shipbuilders, has received a contract worth about £6m. from the Ministry of Defence (Navy) for four torpedo recovery vessels. The order will ensure continuity of work for the shipyard until the early part of 1979. ROBE CALDON, Leith, has been awarded an order by Caledonian MacBrayne, the state-owned Scottish ferry group, for a new ferry worth almost £2m. This yard—where the workforce has already been reduced by 300 to 550 over the past year because of falling orders—had been due to complete its last order, a gas tanker, in August.

close-up

ape/side show... also in business... missions from other...

Safety... are 29 in the... British Army... Tourist... Central... Board...

International Students House, W.1

A lengthy article could be... written about the student jazz...

few months later and in recent... made the evening, was made by...

hairma... directly... and... and...

Due of the most original and... admirer Nabokov, died in Swit...

Vladimir Nabokov by ANTHONY CURTIS

the Tower is a modern, luxurious, friendly... Threehills Street and the Stock Exchange...

For reservations or brochure ask your secretary... The Tower Hotel, St. Katharine's Way, London, E1 9DQ...

Dürrenmatt on form

by OOSLA TRILLING

To call his latest contribution... the stage an opera would be...

Dürrenmatt, incidentally, is... also returning to the dramatic...

The musical drama is no mere... reworking of an existing Dürrenmatt...

The festival's main home... grown novelties, staged by the...

Some activities are... Transport were being...

well-known in film and TV, but... a virtual tyro in the theatre...

The show, which could have... done with rather more space...

The exhibition clearly brings... out the changes that occurred in...

As the Lindsay Quartet... boasted the complete cycle of...



Margot Fonteyn, Rudolf Nureyev and Natalia Makarova in 'Les Sylphides' which opened last night at the Coliseum

The Art of the Garden

by DENYS SUTTON, Editor of Apollo

Recent years have seen in... England the virtual disappearance...

The exhibition presents the... garden in many aspects: ex-

Does the sober, surprised... figure of the cathedral organist...

The great B-Dat Quartet op... 130 properly crowned by the...

The sixth Festival de Musique... Ancienne in Saintes, which runs...

The Red Devil Battery Sign... The Phoenix

ARTHUR JACOBS

American student bands

by KEVIN HENRIQUES

A lengthy article could be... written about the student jazz...

The 16-piece Aptos High School... band, also from California, is...

One of the most original and... admirer Nabokov, died in Swit...

Due of the most original and... admirer Nabokov, died in Swit...

London Youth Dance Theatre

by CLEMENT CRISP

The introduction of dancing... young bodies and young minds...

Viewers who saw BBC2's... I have the pleasure programme...

The Lindsay Quartet... boasted the complete cycle of...

The great B-Dat Quartet op... 130 properly crowned by the...

Lindsay Quartet

by DAVID MURRAY

As the Lindsay Quartet... boasted the complete cycle of...

The great B-Dat Quartet op... 130 properly crowned by the...

The sixth Festival de Musique... Ancienne in Saintes, which runs...

The Red Devil Battery Sign... The Phoenix

ARTHUR JACOBS

hairma... directly... and... and...

Vladimir Nabokov by ANTHONY CURTIS

The Tower Hotel THE HEART OF LONDON



Year means... (vertical text on the left margin)

ants to... steel plan... (vertical text on the left margin)

nt to be... (vertical text on the left margin)

Guide... (vertical text on the left margin)

# Doubts cast on Carter's long term economic goals

WASHINGTON, July 4.

Mr. Perry argues that meeting these objectives would call for an unprecedented growth rate of an average 5.7 per cent over the next four years. "I'm not saying that it's not do-able, but it's at the optimistic end of a range," he said.

Mr. Perry's scepticism echoes similar doubts recently expressed by both the Congressional Joint Economic Committee and the Congressional Budget Office.

The second report—by Prof. Robert Gordon of Northwestern University—concludes that Mr. Carter's aim simultaneously to reduce unemployment and cut inflation is "inconsistent." The report says that the outlook for the next few years is not encouraging and that the only way to reduce inflation would be to allow unemployment to rise at the cost of a large loss in output. Otherwise, the report says, it is all but inevitable that the U.S. inflation rate will stick at around 8 to 7 per cent for the next few years.

# New round of talks on Belize

WASHINGTON, July 4.

The British, Guatemala and Belizean governments meet tomorrow in Washington for a crucial new round of talks about Guatemala's claim to Belize in an atmosphere soured by a number of hostile statements from Guatemala City.

The British legation in Washington talks is being led by Mr. Ted Rowlands, FCO Minister with responsibility for Latin America, the Belizean team by Premier George Price and the Guatemalan by Foreign Minister Adolfo Molina Gramos.

Guatemala claims Belizean territory as its own, alleges that Britain has defaulted on the fulfilment of the Anglo-Guatemalan treaty of 1859 and has lately been threatening to "reassert" its authority by force of arms.

Belize has received overwhelming support of members of the UN from Cuba to Mali for its right to self-determination.

Britain, which is anxious to put an end to its colonial commitments in Central America and the Caribbean, has in negotiations offered Guatemala help for to access to full independence, a capital project which would be of use to Guatemala and which could be represented as being a quid pro quo for any failure to honour the spirit of the 1859 Treaty.

The affair has meanwhile been taking on increased political importance in Guatemala where the extreme Right-wing MLN or National Liberation Movement is using it as an issue in the run-up to next year's presidential election.

Since the Laugerud Government broke its defence pact with the U.S. following criticism in Washington of human rights situation in Guatemala, Israel has become an increasingly important supplier of arms.

The cargo of arms seized from an Argentine registered aircraft in Barbados at the end of last month had been provided by Israel, which has already equipped the Guatemalan Air Force with Arava troop carrying aircraft.

# Neutron bomb survives Senate

WASHINGTON, July 4.

By Our Own Correspondent

THE NEUTRON bomb, which relies on massive doses of unseen radiation rather than conventional explosive blast to kill an enemy, survived a close vote after a secret session of the Senate on Friday but its future remains very much in doubt.

Money for the development of the neutron bomb is included in an appropriations bill for the Energy Research and Development Administration. The U.S. Army wants to continue research with an eye to installing the weapon on its lance missiles in Europe.

But the Carter Administration has insisted from the start of the neutron bomb controversy that it was not aware money for its development was in the energy bill and the President has let it be known that he has not yet decided whether to approve its continued development or its production.

Last Friday's Senate session approved by one vote money for the bomb but suspended the actual appropriation of it until Mr. Carter has issued a "Presidential impact statement" certifying that the weapon is needed.

Opponents of the neutron bomb said no money should be appropriated until the President has decided, Sen. Mark Hatfield, their leader, said the neutron bomb is particularly dangerous because it blurs the distinction between conventional and nuclear warfare.

Experts remain divided about the real usefulness of the neutron warhead. The massive doses of radiation it delivers will certainly be more than enough to knock out the enemy, but death would not be instantaneous and those affected would have time to counter attack before succumbing to it.

# U.S. black community still fighting for civil rights

WASHINGTON, July 4.

BY DAVID BELL

PRESIDENT CARTER chose today—Independence Day—to award America's highest civilian honour—the Medal of Freedom—posthumously to Dr. Martin Luther King, the civil rights leader and Nobel Peace Prize winner, who was murdered nine years ago.

This fresh honour for Dr. King will not be enough, however, to still the growing concern inside the country's black community about the progress of the civil rights movement that he inspired and led so ably through the 1960s.

Mr. Benjamin Hooks, the new leader of the National Association for the Advancement of Coloured Peoples (NAACP), at its annual convention last week said America's cities would not "be calm forever" if the high rate of black unemployment and the crippling poverty connected with it are not dealt with by the new Administration.

Noting that Mr. Carter had promised to move "aggressively" to help blacks, who for their part had voted for him in record numbers, Mr. Hooks said that he had yet to see any evidence that Mr. Carter was going to deliver on his promise. "There is no doubt that at this point we are very disappointed in the President," he said.

Yet the problems which are currently worrying the black community are not all within the President's power to solve. Black leaders recognise that they have already won the easy battles even though they seemed far from easy at the time. Blacks have the vote and are beginning to have an influential political presence. The worst forms of discrimination have been outlawed and relations between the races, on the surface, are better than they have ever been.

But it may be that future historians will consider these problems insignificant in comparison to the ones that now face

# Canadian route likely for Alaska gas pipeline

NEW YORK, July 4.

SEVERAL U.S. Government agencies have released reports on proposals to bring Alaskan gas to U.S. markets. Their conclusions tend to favour either of two routes or pipelines passing through Canada, rather than a proposal for a pipeline to follow the existing trans-Alaskan oil pipeline.

Alaskan gas reserves are related to the oil, which is now passing through the trans-Alaskan line for the first time, and in which British Petroleum and its U.S. associate Standard Oil of Ohio have a major stake. With the completion of the oil pipeline, pressure is building up for decisions to be made in order to bring the gas from the Prudhoe Bay oil field to market. It has been estimated that the reserves of gas believed to exist in Alaska's Arctic north could contribute up to 5 per cent of U.S. gas consumption in the early 1980s.

Three groups have submitted proposals which are being considered by the U.S. and Canadian Governments. There have been growing signs that the least favoured will be a proposal by the El Paso Company for a pipeline following the route of the oil pipeline all the way through Alaska. But this would involve liquefying the natural gas so that it can be transported by tankers from Valdez in southern Alaska to the U.S. markets.

Two other proposals would involve routes through Canada. One developed by the Northwest Pipeline Corporation follows the oil pipeline down to Fairbanks, Alaska, before cutting across to Western Canada to Calgary. The other proposal by the Alaskan Arctic Gas Pipeline Company cuts across north Alaska and Canada to the Mackenzie Delta and then south to Edmonton.

The alternative trans-Canadian route, through the Mackenzie Delta, is running into strong environmental objections, partly because it goes through the unspoiled Arctic National Wildlife Range in Alaska.

## CONTRACTS AND TENDERS

**INTERCONEXION ELECTRICA S.A. (ISA)**

500 KV INTERCONNECTION BETWEEN THE COLOMBIAN CENTRAL AND ATLANTIC COAST POWER SYSTEMS INTERNATIONAL TENDER (IG-100) FOR THE SUPPLY OF MATERIALS AND CONSTRUCTION OF THE 500-KV TRANSMISSION LINE

Scope of work: Supply and erection of towers, insulator strings, conductors, ground wires, spacer-dispensers, spacers and construction of the corresponding civil works for the 820 km long 500 kV single-circuit line.

Tender documents: All documents will be available from 30th June, 1977 at Subgerencia Técnica, Interconexión Eléctrica S.A., Calle 37 No. 8-43, Piso 7, Bogotá, Colombia, S.A. The price for the tender documents is Twenty Thousand Colombian Pesos (20,000 Pesos), or Five Hundred and Fifty American Dollars (550 US\$). The price per additional copy is Ten Thousand Colombian Pesos (10,000 Pesos), or Two Hundred and Seventy-five American Dollars (275 US\$). These sums are non-refundable and should be paid to Interconexión Eléctrica S.A., Account No. 000203240 at Banco de Bogotá, Main Office, Bogotá, Colombia S.A.

Participants: Contractors must be from countries who are members of the World Bank or from Switzerland. In addition, to be eligible to tender for this project, contractors must be formally registered, classified and qualified by ISA within the groups and categories related to the type and size of the project.

Final date for registration: Contractors interested in this project who have not yet completed registration documents to obtain their registration, classification and qualification should note that the final date to fulfil these requirements is 11th October, 1977.

Tender submission: All tenders must be submitted personally by tenderers or their representatives at Subgerencia Técnica, Interconexión Eléctrica S.A., Calle 37 No. 8-43, Piso 7, Bogotá, Colombia S.A., not later than 2.30 p.m. Colombian time on 2nd November, 1977, at which time tenders will be opened.

Contracting Mode: Unit prices.

Bid Bonds: Tenderers should issue a bid bond in favour of ISA to a value of One Hundred and Twenty-five Million Colombian Pesos (125,000,000 Pesos). The bid bond is to be valid for One Hundred and Eighty (180) days commencing from the tender closing date.

## Atomic reactor close-down cost problem

A coalition of public interest groups said yesterday that it wants the Nuclear Regulatory Commission to make utility companies pay in advance for decommissioning atomic reactors rather than burden future generations with the cost of abandoned radioactive plants.

UPI reports from Washington.

Studies by the nuclear industry have shown that after the estimated 40-year operating life of an atomic power plant, it would take up to 100 years of radioactive activity in some parts of its reactor to fall to acceptable levels. If the NRC grants the request, a spokesman for the coalition said, it would raise the price which consumers must pay for electricity generated by nuclear power. Decommissioning costs have been estimated at up to \$30m. per reactor.

## Mexico jail protest

About 10 U.S. inmates of the Santa Marta prison in Mexico City celebrated the July 4 U.S. holiday with an attempt to President Carter for failing to get them released.

UPI reports from Mexico City. The prisoners charged that Mr. Carter has ignored their charges of torture and mistreatment while under arrest. A treaty signed by the U.S. and Mexico in November, which is awaiting U.S. senate ratification, would allow some 600 Americans in Mexican prisons to return home to serve their terms.

## Haitian murdered

Two gunmen who shot dead the Haitian ambassador to Brazil told police that they were hired as assassins by the first secretary at the embassy. Reuter reports from Rio de Janeiro.

But the first secretary, M. Louis Robert Maczowski, was quoted by a local news agency as saying that he knew neither of the killers. He denied any involvement in the murder. Police said that the ambassador, M. Delorme Mahu, was shot in the back as he left a hotel bar in the north-eastern city of Salvador on Sunday night.

## Huey Newton held

Mr. Huey Newton, former leader of the Black Panther Party, returned to California from exile last night and was taken to jail on murder and assault charges dating back to 1974. Reuter reports from San Francisco.

Mr. Newton, who had the U.S. for self-imposed exile in Cuba, was arrested and taken to jail in Oakland, near here, where legal proceedings against him will be resumed. Mr. Newton was mobbed by several hundred supporters at San Francisco Airport, and told them: "I have returned to continue my commitment to work for progressive change in our society."

## Canadian unity

Mr. Pierre Trudeau, the Canadian Prime Minister, will announce today plans for a special commission to study national unity, our Ottawa correspondent writes.

The mandate of the commission and the names of its top officials will be announced as Mr. Trudeau opens a two-day debate on national unity in the House.

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## ITT Business Systems

OVERSEAS NEWS

OAU SUMMIT IN GABON

Nigeria seeks to mediate disputes at OAU summit

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

IN AN apparent attempt to soften the growing conflict between so-called moderates and radicals in the Organisation of African Unity, Nigeria, the continent's giant, has proposed the creation of a special commission to resolve disputes between member states.

Tensions between its 49 members continued to be the main feature of the OAU's 14th summit, due to end today in the Gabonese capital of Libreville. In the latest of a series of disputes, Lt-Col Mengistu of Ethiopia yesterday alleged that Sudan was "trying to foment instability and subversion in northern and north-west Ethiopia."

Israel to curb public spending

BY L DANIEL

JERUSALEM, July 4

THE NEW Israel Government is apparently sticking to its intention to cut governmental expenditure (and therefore deficit financing). The 1977-78 draft budget of 121,220m. (\$7,400m.) prepared by the previous Labour government was never approved by the Knesset and services have been operating on the basis of 28.7 per cent of the total expenditure for the first third of the fiscal year.

The new Likud Government has now decided to allocate only a further 12,240m. for August-September, meaning that the total for the first half of the year will be only 44.2 per cent of total expenditure planned by the Labour administration. The slightly higher August-September allocations compared with preceding four months are due to bigger wage bills as a result of concessions made in the pre-election period.

At the same time, the Finance Ministry is getting down to pre-

You don't have to be an elephant to remember the times of our Jumbos to New York.

Table with columns for LONDON and NEW YORK, and rows for DEPART and ARRIVE times for MON., TUES., WED., THURS., FRID., SAT., and SUN.

As you can see, there's no complicated timetable to decipher when you fly to New York with Iran Air. We take off at the same civilised hour every day. In fact everything about flying to New York with Iran Air is civilised.



Premier Jan Smuts

S. AFRICA'S NEW PARTY

Inheriting the image of a long-time political loser

BY BERNARD SIMON IN JOHANNESBURG

inherit the UP's image of a loser, trying hard to be all things to all men and crippled by internal squabbles. It is worth noting that since the Nationalists toppled Field Marshal Smuts' Government from power in 1948, nearly 100 of the UP's public representatives have broken away to join other groups.

SOUTH AFRICA'S new big opposition party was founded at a congress held in a Johannesburg ice rink. Wags were quick to remark that the product of the congress—the New Republic Party—was skating on thin ice.

Janata likely to lose poll in Kashmir

SRINAGAR, July 4

FIRST RESULTS in state assembly elections in the strategic north Indian State of Jammu and Kashmir today indicated almost certain defeat for the nationally ruling Janata Party.

The first five seats declared in Kashmir went to the National Conference Party of former Chief Minister Sheikh Moham-med Abdullah. In the Jammu region, the Congress Party won two of the first four seats declared and the other two went to independents, one of them a Janata Party rebel.

Unofficial reports from counting centres here said the National Conference was leading by about 20 seats; opposition parties in the Kashmir valley appeared set for a landslide victory in this part of the State.

The Himalayan State is split into three regions with 42 seats at stake in Kashmir, 32 in Jammu and two in Ladakh.

Defeat in Jammu and Kashmir would be a major setback for the Janata Party, headed by Prime Minister Morarji Desai, which came to power in New Delhi in March.

It won seven out of 10 states in assembly elections spread over north central and south India last month, crushing the Congress Party its main national opposition. But it has not so far been able to defeat any of the country's strong regional parties.

Asghar Khan said the opposition was unanimous in its views about the agreement. It was maintained that the pact must be endorsed by the leaders of all nine Alliance parties before it can be signed.

Malay-Thai attack on Communists

By Wong Sulong

KUALA LUMPUR, July 4

MALAYSIAN troops, backed by heavy artillery, today crossed over to Thailand, to begin the biggest military offensive ever undertaken against the communist guerrillas along the border.

Bhutto accuses opposition

RAWALPINDI, July 4

MR. Z. A. BHUTTO, the Pakistan Prime Minister, has accused opposition leaders of going back on an agreement to hold new general elections in October.

He told a news conference last night that, although the agreement reached on Saturday was supposed to be final, the nine-party opposition National Alliance now wanted to raise ten new points.

One of the opposition leaders, retired Air Marshal Asghar Khan, had refused earlier to say whether the opposition accepted or rejected the agreement. He said there were doubts whether its terms met opposition demands for safeguards to ensure fair elections.

The opposition Alliance, which claims that earlier elections on March 7, which the Government won, were rigged, presented its final demands last week, but Mr. Bhutto persuaded its negotiators to accept some changes.

The two sides used knives in a fight last night which flared after supporters of the ruling Pakistan People's Party tried to raise their flag over a building occupied by National Alliance Workers. Two PPP workers were in hospital with serious stab wounds.

Artillery battles intensify in southern Lebanon

BEIRUT, July 4

PALESTINIAN GUERRILLAS and their Lebanese left-wing allies Yarin with artillery from across the border, but did not cross with Israeli-supported Christian militia in South Lebanon today, according to civilians escaping from the fighting.

Artillery duels are intensifying between the right-wing fighting in the South, where town of Marjayoun and the Lebanon's bloody 19-month civil war began, underscored the contradictions and uncertainty of the truce imposed by a Syrian-dominated Arab League force last year.

Other reports from the South said both new law all publications will be subject to scrutiny by the Ministry of Information.

Iran-Britain adds: Under a new law all publications will be subject to scrutiny by the Ministry of Information.



Sir de Villiers Graaf

In addition, even though may not be doing much for them, many of the party's principles are already espoused by the Government—for instance moving away from racial discrimination, maximum self-reliance for each racial group, closing wage gap, and the provision of equal educational opportunities for all.

Sadat and Hussein to meet soon

BEIRUT, July 4

PRESIDENT Anwar Sadat of Egypt and King Hussein of Jordan are to meet following former's return from a visit to Morocco, the Cairo daily Al-Ahram reported. President Sadat is to spend two days in Morocco at the end of the Organisation of African Unity summit, recently under way in Libreville.

The meeting, which is to take place at President Sadat's summer palace at Alexandria, will be the first between the two men since his visit to Washington for talks with President Carter.

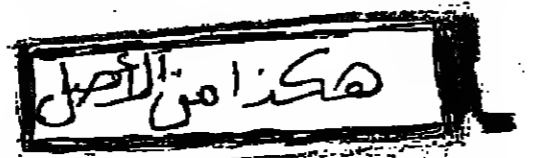
King Hussein is currently pursuing a series of contacts with Arab leaders which has taken him to Damascus to talk with Syrian President Hafez Assad. He is expected to visit Saudi Arabia for talks with King Khalid in the near future.

The Jordanian daily Al-Dustour reported today that Jordanian monarch is also to visit Beirut soon for talks with the Shah of Iran, following visits to Cairo and Riyadh, discussion with the Shah to cover relations between the Middle East countries and the Middle East situation, the paper said.

ON OTHER PAGES

International Company News: Swedish Match results ICI Australian rights issue ... 32 Farming and Raw Materials: EEC iso-glucose levy Australia adjusts wool floor price levels ... U.S. copper strike settlements

COMPAGNIE LUXEMBOURGEOISE DE LA DRESDNER BANK AG. DRESDNER BANK INTERNATIONAL. LUXEMBOURG. SUMMARY FINANCIAL STATEMENT AS OF MARCH 31st, 1977. (thousands of Lux. Francs) BALANCE SHEET ASSETS LIABILITIES



WORLD TRADE NEWS

BRITAIN'S LEADING EXPORTERS

Leyland, ICI and Ford stay on top

BY GEOFFREY OWEN

BRITISH LEYLAND, ICI and Ford have again filled the top three positions in the 1976 list of leading British exporters. With the exception of the same companies which occupied the first three places in the 1975 table have...

calendar year 1976. Another oddity is the exclusion of Eveready, whose financial year ends in February. In the year ended February, 1976 this company's exports were £28.6m, thus not qualifying for inclusion in the 1976 list; but in the following year, ended in February, 1977, exports rose to £41.9m.

THE TOP HUNDRED EXPORTERS—1976

Previous year's ranking is given in brackets

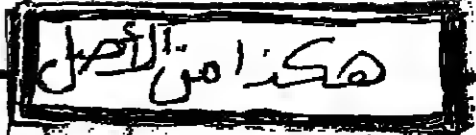
Table with 4 columns: Rank, Company Name, 1976 Exports (£m), 1975 Exports (£m). Includes Leyland, ICI, Ford, Shell, etc.

Soviets seek bids for gas stations

BY DAVID SATTOR

THE V.I. Machineimport Soviet foreign trade organisation has solicited bids for the construction of a number of gas compressor stations built around second generation lightweight aircraft derivative engines...

APPOINTMENTS



Investment Manager

for the Superannuation Fund of the National Water Council, responsible by statute for the administration of the pension fund of 60,000 employees of Water Authorities in England and Wales.

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Sadat and Hussein to meet soon

BEIRUT. Egyptian President Anwar Sadat and King Hussein of Jordan are to meet in Amman, Jordan, in the next few days...

Hitachi bid to improve Communist bloc ties

HITACHI LTD. may be involved in informal talks with Communist bloc countries for plant export opportunities for third-country power plant contracts. Speculation about such discussions coincides with a report to say that the U.S. has been lobbying against computer sales by the Japanese company in China.

Romania to make Fokker jet

BY GUY HAWTIN FRANKFURT, July 4. VFW-FOKKER'S 614 jet passenger aircraft is to be produced in Romania for sale both there and abroad. The German-Dutch plane manufacturer signed a contract last week-end with the Romanian aircraft manufacturer, Grupul Aeromarine Bucuresti, which will lead to the establishment of a joint production enterprise.

Austria, EEC move towards free trade

VIENNA, July 4. DESPITE THE formal dismantling of tariffs on July 1 between Austria and the European Community, about 20 per cent of their trade will still be subject to import duties. Tariffs on so-called sensitive products, such as special steel, aluminium, and some metals, will be eliminated only by the end of 1979, and on paper and paper products as late as the end of 1982.

Small British companies take advantage of Japan Task Force

BY DAVID HOUSEGO, ASIA CORRESPONDENT. A SURPRISINGLY small number of inquiries from British industry have been received by the Japan Task Force—the big level ginger group set up by Japan and Britain last December in an effort to help British companies break into the Japanese market. In its first five months of operation the Task Force has had about 60 cases referred to it, less than the Japanese had expected, though British officials say it is in line with their anticipations.

MANAGING DIRECTOR MAJOR U.K. ENGINEERING GROUP c. £20,000

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Due to expansion of activities, Bank Hapoalim requires the following staff for its West End branch. Cashier Should have several years experience cashiering and general banking. Junior Clerk 3 or 3 years banking experience desirable but not essential.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION. In the Matter of the Construction, Engineering and Building (Contractors) (LIMITED) and in the Matter of the Companies Act, 1968.

BEECHAM GROUP LIMITED

Notice to holders of 51% Guaranteed Convertible Debentures and 61% Guaranteed Non-convertible Debentures of Beecham International Holdings S.A. In accordance with the Conditions of Issue of the above-mentioned Debentures, notice is hereby given to Debenture holders that the Beecham Group Annual Report for the year ended 31st March 1977, was posted to share and loan stock holders on 4th July, 1977.

CHILEAN EXTERNAL LONG TERM CITY OF VIÑA DEL MAR (S.A.)

Midland Bank Limited announce that the redemption instalment for the amount of £500,000 of the External Long Term City of Viña del Mar (S.A.) Debentures is due on 12th July 1977. The instalment is payable in cash or by cheque to the order of the holder of the debenture.

PUBLIC NOTICES

DEVON COUNTY COUNCIL. Notice is hereby given that the Devon County Council will be holding a public meeting on 12th July 1977, at 10.00 a.m. in the Council Chamber, Devon County Council Offices, 10, High Street, Exeter, Devon, to discuss the proposed amendments to the Council's bye-laws.

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HOME NEWS

Rail fares pegged for rest of year

BY JOHN LLOYD, INDUSTRIAL STAFF

BRITISH RAIL is to peg fares for the rest of the year. It announced yesterday that there would be no further general fare increases after the BR Board had seen the regular mid-year review of passenger traffic.

"We believe that potential travellers will now find the attractions of British Rail that much stronger." The announcement means that British Rail is confident of fulfilling the terms of its contract with the Government—to keep passenger operating costs within the limits of the £320m. annual grant.

Chelsea plea for extra time to pay

Financial Times Reporter

CHELSEA Football club, whose creditors last year agreed to suspend their claims for 12 months, said yesterday they had kept their head above water during the year—but were still asking creditors to be patient.

Receipts up

The accountants said in the letter gate receipts were up, economies had been made and the cost of terrace tickets had been increased.



John Curry and Lorna Brown, one of the eleven skaters from the John Curry Theatre of Skating II, on stage at the London Palladium yesterday during rehearsals for the new ice show which opens at the theatre to-day—the first time ice has been laid on the Palladium stage.

British Gas chairman rejects 'energy gap'

BY RAY DAFTER, ENERGY CORRESPONDENT

SIR DENIS ROOKE, British Gas chairman last night dismissed "alarmist" predictions that British is heading for a vast energy gap in the 1990s.

"I believe that properly managed, our primary energy resources in the shape of oil, gas and coal, and our developing nuclear industry can provide the country with the range of energy supplies that U.K. industry and consumers require for the foreseeable future."

The Gas Corporation was confident that its reserves would be sufficient to meet demand into the 21st century. Even so, the gas industry was developing technology for turning oil and coal into substitute natural gas which would continue to feed British gas consumers.

Sir Denis was speaking at the first National Technology Conference, held by the British Gas Corporation at Cophorne, Sussex.

Jobs 'likely to cost £1m. each'

IT WAS likely to cost the taxpayer about £1m. for each permanent job created at two proposed petrochemical plants, a public inquiry was told in a submission yesterday.

The total cost of the Shell and Esso developments at Mosses and Braefoot Bay would be over £400m., of which £280m. would be paid by the Government in development grants—or about £1m. for each permanent job created.

Retail spending up slightly in May

BY MICHAEL BLANDEN

SPENDING in the shops recovered slightly in May from the continued depression of sales of durable goods and other non-essential items.

Car prices cited as easier credit argument

By Michael Blenden

THE SHARP IMPACT of inflation on car prices is underlined by evidence of the Finance Houses Association for its arguments for relaxing the controls on instalment credit loans.

'Return to tariffs' urge consultants

BY RAY DAFTER, ENERGY CORRESPONDENT

THE BRITISH Gas Corporation should use any excess profits it has made to reintroduce its old system of tariffs, a firm of energy-cost consultants said yesterday.

The NUS said that although the April increase averaged 11 per cent many consumers suffered increases as high as 25 per cent.

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on July 4, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

Scheduled Territory: (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate; (S) selling rate; (B) buying rate; (nom.) nominal; (ex) exchange certificate rate; (U.S.) based on U.S. dollar; (sterling) going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Table with columns: Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling. Lists various countries and their exchange rates.

Finance houses

BY MICHAEL BLANDEN

In spite of the low level of sales, however, the finance houses continue to show a rise in the amount of their lending. The department's figures show that new instalment credit advanced by finance houses and retailers was £359m. in May.

HP Credit and Retail Sales

(Seasonally adjusted)

Table with columns: New credit extended by Finance Houses, Retailers, Total debt outstanding, Retail volume (revised), Durable goods, Total shops. Includes data for 1976, 1977, and 1978.

Montefibre closes sales office in Manchester

BY RHYS DAVID, NORTHERN CORRESPONDENT

MONTEFIBRE, the fibre producer, takes place towards the end of this year. There will be only a small number of redundancies.

Bovis in £6m. project to expand Gleneagles Hotel

BY CHRISTOPHER DUNN

BOVIS Hotels Scotland plans to spend up to £6m. on luxury developments at two famous Scottish hotels in a venture with British Transport Hotels.

U.K. architect sets EEC precedent

BY A. H. HERMANN, LEGAL CORRESPONDENT

A BRITISH architect who set a favourable decision of the European Court in a dispute with the French Ministry of Cultural Affairs has probably opened the door for many EEC architects wishing to establish themselves in another member State of the Community.

Snags in transport training

BY RAY DAFTER, ENERGY CORRESPONDENT

DIFFICULTIES of training in the road transport industry were spelt out yesterday by Mr. Ken Turner, chairman of the Road Transport Industry Training Board.

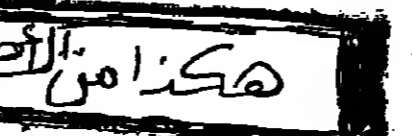
Advice centres defended

BY RAY DAFTER, ENERGY CORRESPONDENT

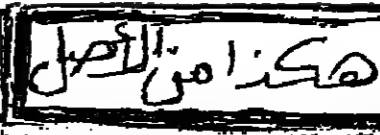
A VIGOROUS defence of Consumer Advice Centres was made in Wrexham yesterday by Mr. John Fraser, Minister for Prices and Consumer Protection.

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Thomas Cook Bankers, Thomas Cook Travellers Cheques. The accepted name for money. Worldwide.







HOME NEWS

Bleak house-building outlook forecast

BY STUART ALEXANDER

PROSPECTS for the building and construction industry remain generally poor, according to the joint forecasting committee of the building and civil engineering Economic Development Councils.

Top companies link to brief Parliament

BY CHRISTOPHER LORENZ, MANAGEMENT EDITOR

ELEVEN leading British companies have agreed to form a trust dedicated to promoting better understanding between industry and Parliament.

Ipswich port surplus leaps

BY OUR SHIPPING CORRESPONDENT

IPSWICH Port Authority more handling services in quadrupled its after coal, petrol and roadstone

U.K. oil bill up by £20m. after Saudi price rise

BY RAY DAPFER, ENERGY CORRESPONDENT

THE RATIONING of North Sea oil production is gradually whittling away this deficit. Latest figures show that Britain's offshore fields are meeting half the U.K.'s fuel bill in the next months.

The committee maintains its January forecast of a 12 per cent fall in public sector construction output this year, compared with 1976 and a further decline of 8 per cent in 1978.

Currency case opens to-day

Financial Times Reporter

THE COMMITTEES hearing against nine people accused of investment currency offences begins at Horseferry Road Court, London, to-day.

Housekeeping 'freeze' hits wives

WIVES AND children have been hit by inflation in the past year, according to a National Consumer Council survey which showed one-in-three husbands in Britain made no increase in housekeeping money.

Ziebart licensees wanted

Ziebart (G.B.) Ltd., acknowledged market leader in the U.K. vehicle rust-proofing industry and the British associate of the internationally famous Ziebart group of companies, seeks more licensees in England, Wales and Scotland.

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DIRECTORSHIP - PARTICIPATION

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chairman energy gap

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Second, the coal... industry... the coal...

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PARLIAMENT and POLITICS

LABOUR NEWS

An Independence Day farce

BY PHILIP RAWSTORNE

"A first-class comedy act." Mr. Bob Mellish commented on the Independence Day celebrations in the Commons yesterday of the Scottish and Welsh Nationalists.

Mr. Gwynfor Evans, the Welsh Nationalist leader, complained similarly, though in a more literary style, about the condition of the Welsh nation. Then he turned on his Tory allies, admitting that the Nationalists' only hope of devolution lay with a Labour Government.

Mr. Evans looked for a moment as if he might agree — but withdrew to stand stoutly for independence. Only if the Government introduced an early guillotine for devolution would it encourage new trust, he said.

Nationalists' censure bid comes under fierce counter-attack

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE SCOTTISH National Party and Plaid Cymru, the Welsh nationalist party, joined forces in the Commons in an attempt to pass a resolution against the Government demanding that the salary of Mr. James Callaghan, Prime Minister, should be cut by half.

Mr. Evans told the House that his party was sceptical of the Government's intention on devolution despite the declarations which Mr. Callaghan had made. He suspected that the Government was cynically playing for time.

Mr. Mellish maintained that he had never heard such rubbish in all his political career, and that in view of the standard of the speeches from the Nationalist leaders, it was difficult to take the resolution seriously.

Mr. Evans told the House that his party was sceptical of the Government's intention on devolution despite the declarations which Mr. Callaghan had made. He suspected that the Government was cynically playing for time.

Drax: Benn indicates 'no tender' precedent

BY IVOR OWEN, PARLIAMENTARY STAFF

A STRONG indication that the contract for the Drax B coal-fired power station, estimated to cost £90m, will be put out to competitive tender was given by Mr. Anthony Wedgwood Benn, Energy Secretary, in the Commons yesterday.

Why so many Scots are in London...

BY IVOR OWEN, PARLIAMENTARY STAFF

MR. BOB MELLISH, former Government Chief Whip, said that if the censure motion passed, it would be a "major Tory Government" — he declared to Lord Labour support.

Ministers accused of complacency

SIR GEOFFREY HOWE, shadow Chancellor of the Exchequer, yesterday accused Government Ministers of dangerous complacency over developments in Britain's economy.

Tories bitter over failure to resolve JET siting

BY IVOR OWEN, PARLIAMENTARY STAFF

A DEFIANT Mr. Anthony Wedgwood Benn hit back strongly at Tory MPs in the Commons yesterday when they attacked his performance during his six-month period of office as president of the Council of Energy Ministers.

He said that Mr. Callaghan's salary was not being cut by half, and that the Government was not taking any steps to reduce it.

Written Answers

EMPLOYMENT Mr. Robert Adley (Con. Chichester and Lynton), is the Secretary of the Department for Employment and Manpower Services Commission.

Pressure by union made ACAS unfair, says QC

THE OPENING salvo in the legal battle between Grunwick and the Advisory, Conciliation and Arbitration Service was fired yesterday at the hearing under Lord Widgery, Lord Chief Justice, began in the High Court.

Mr. George Ward, managing director of Grunwick Processing Laboratories, was escorted into court by police when he arrived for the hearing.

THE GRUNWICK HEARING

Mr. George Ward, managing director of Grunwick Processing Laboratories, was escorted into court by police when he arrived for the hearing.

Ballot

Dealing with the legislation under which ACAS was set up, Lord Widgery said he would be calling expert evidence to help him decide what was meant by the word "ballot" when it was used to describe the procedure ACAS had to follow in deciding a claim for union recognition.

Court of inquiry

Mr. Heald referred to the court of inquiry into the Grunwick dispute, which is due to start its investigations to-day under the chairmanship of Lord Justice Scarman.

Minister to join talks on hospital staff pay

By Pauline Clark, Labour Staff

A LAST DITCH effort to resolve the long-standing London hospital back pay dispute seemed in the balance yesterday after union leaders and management clashed over the terms of reference for arbitration.

Engineers' pay row hits Lucas Group

BY PETER CARTWRIGHT, MIDLANDS STAFF

ALMOST ALL the motor and aerospace factories in the Lucas Group, key suppliers to U.K. and overseas manufacturers, were embroiled yesterday in a series of demands for higher pay.

Journalists plan closed shop mass-action day

TRADE UNIONISTS, including many of the Darlington-based papers, the spokesmen of the Darlington Journalists in a day of mass action to stop the closed shop battle with North of England Newspapers, a National Union of Journalists spokesman at Darlington said yesterday.

Talks on schools strike

BY OUR LABOUR STAFF

THERE WAS a glimmer of hope yesterday that a way out of the teachers' strike which has hit 38 schools in Oxfordshire might be found.

Vertical text on the right edge of the page, including "FOR", "Milk", "We", "Now", "not", "by", "ew", "ba", "bs", "up", "down", "three", "the", "An", "ad", "red", "Wi", "Bu", "anything", "Si", "EVERY P".

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**Silk Cut with tobacco substitute, 47p and 55p.**

Recommended retail prices.

LOW TAR As defined by H.M. Government  
EVERY PACKET CARRIES A GOVERNMENT HEALTH WARNING

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## MATERIALS Lightweight metal given a hard coat

PROBLEMS associated with the poor surface friction qualities of titanium have been satisfactorily solved and the material, with a protective coating of hard chrome, will be used extensively by Hawker Siddeley Dynamics in components it is to supply for the European space venture due for launching in 1980.

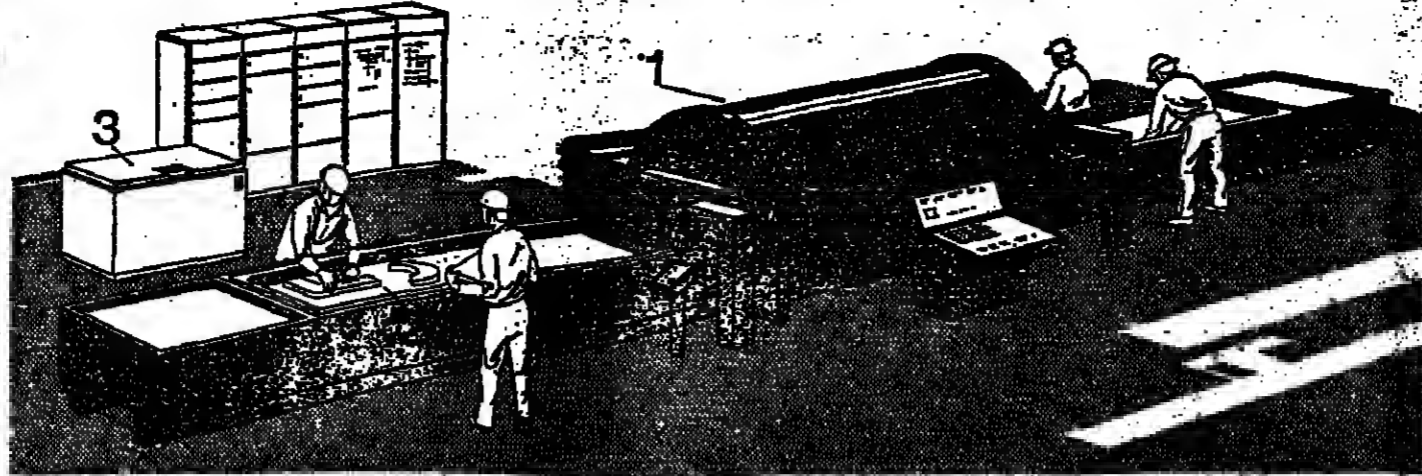
Poeton (Gloucester Plating) solves problems of plating titanium with hard chrome, connected largely with the fact that, initially, addition of the chrome coating caused problems inside the material it was supposed to protect and impaired its strength in some applications. Working with a U.S. associate, Superior Plating Company, Poeton developed a method of application which does not cause embrittlement problems and the final coating has little or no effect on the fatigue properties of the metal.

## Titanium in North Sea pipework

TITANIUM compression fittings have been supplied through the Astro Metallurgical Corporation for the titanium pipework on the new Shell/Eso Brent Field. All production pipework being constructed at Ardne Point, Scotland, by Sir Robert McAlpine and Sons, and Sea Tank of Paris.

Extreme weather conditions experienced in the North Sea

## METALWORKING



1. Press. 2. Work table with formed parts. 3. Freezer for blanks.

BIGGEST OF the high-pressure fluid cell presses so far ordered in the West is a 57,000-tonne unit just contracted for by ASEA for Lockheed Georgia Company and to be used in the production of large components to high tolerances for the large military transport planes for which Lockheed is famous, as well as for executive jet components.

Derived from the Quintus press technology ASEA has been pursuing for several decades, the fluid-cell press resembles a barrel laying on its side. At the end of the press there is a work table to hold the dies and the sheet metal blanks; these are rolled into the press en masse and forming takes 30 seconds. The upper half of the press houses a large flat fluid cell in the form of a diaphragm of a polyurethane compound. In a

## Big squeeze makes aircraft parts

forming operation this is filled with the hydraulic medium—oil pumped to extremely high pressure. This pressure causes the fluid cell to expand and force the dies against the blanks. Because the pressure is so enormous and is applied progressively, the blanks are forced around the dies with the highest accuracy and the finished component needs no further processing, in most instances.

Only one forming member is needed and the cell acts as a die or punch as required, so that tooling costs can be kept low. For small batch production this is invaluable. A second press just ordered by a U.S. company is a 40,000-tonne unit providing a pressure of 700 bar (against the 1,000 bar of the first machine) for General Dynamics. It is to be used on the F-16 jet fighter ordered in large numbers by NATO countries. Both machines will be used from Villiers House, 41 Strand, London.

## COMPONENTS Stops dust from sacks and silos

THREE UNITS for controlling dust emissions from powder handling systems have been introduced by Hivent, Wear Estate, Washington, Tyne and Wear (0632 466204). Called Hi-Sac, pne machines are intended primarily as a catch tipping hoods for large process vats and mixing vessels. Fitted at the charging point, it contains a fan which draws in air through the catch-tipping operation, preventing the escape of dust.

There is a choice of four fans with volumes of 500, 1,000, 2,000 or 3,000 cfm and four interchangeable filter sections with filtration areas of 80, 130, 220 or 330 square feet. The fan operates only when the charging door is open. The filter can be automatically vibrated clean when the door shuts. The other two units, Hi-Silo and Hi-Pressure, are for fitting to storage silos, unpressurised and pressurised respectively. They filter the exhaust air displaced when powdered or granular products are conveyed pneumatically from bulk-delivery vehicles.

More on the latest contracts from Villiers House, 41 Strand, London.

## RESEARCH Surface erosion precision test

NOVEL IN a radiactivation measurement technique for the determination of wear or corrosion, or the depth of sputtering on a surface, is the fact that activation can be applied reliably to a very thin layer.

## COMMUNICATIONS Light fibre is easy to make

THE IMPRESSION that must, by now, exist in the minds of many that to set up in production of communications quality optical fibre is a multi-million pound investment is being dispelled by a company in Surrey, which could well be wrong.

## AGRICULTURE Spreading it wide

FERTILISER CAN be spread to a width of 12 metres (39 feet 4 inches) with a trailed pneumatic distributor from Nodut Goussis, of Montreux, France.

## COMPUTING Monitor for remote work

AFTER evaluation of Soft AG's new remote process monitor, "Com-plate," Ad will market and support the product in the U.K.

# Snam S.p.A.

Milan-Italy  
ANNUAL REPORT 1976

SNAM is the Company within the ENI Group which transports and distributes nationally produced and imported natural gas in Italy. The following is an extract of the Annual Report of 27th April 1977.

### Natural gas market

In 1976 almost all industrialised countries, particularly the U.S.A., registered an upward trend, already noted by the end of 1975, in the production of natural gas as well as an increase in total energy consumption (+4.5 per cent in respect of the previous year). The natural gas market experienced during 1976 a steady demand, while the world consumption of natural gas reached 1400 billion cubic metres.

### SNAM's activity in 1976

The availability of natural gas rose considerably in 1976, thanks chiefly to the increase of imported gas which reached 11.8 billion cubic metres equal to 44.3% of total-market availability (26.6 billion cubic metres).

### Prospects and programmes

The Company will continue in its efforts to acquire new sources of supply abroad in 1977. The present natural gas penetration level of 15.7% should be further extended, according to plans, toward the first half of the eighties. Works for the strengthening of the national gas network will be continued, while in the framework of the programme for importation of gas from Algeria, work on the projects for infrastructures such as reception, stocking and re-gasification centres which according to plans should be put into operation in 1981-82, will be set in motion.

### PRINCIPAL ECONOMIC DATA ABOUT THE COMPANY

	1974	1975	1976
Capital	200,000	200,000	200,000
Turnover	457,590	739,233	1,200,184
Plant and Equipment	752,990	1,130,310	1,394,751
Sinking Fund	367,435	534,013	715,501
Amortisation for year	57,293	74,019	122,374
Plant and Equipment in hand	113,710	83,578	70,333
Cost of work	50,105	75,989	91,521
Employees (units)	5,947	6,159	5,500
Extent of pipeline network (km)	11,911	12,634	13,300
Gas sold (million cubic metres)	18,653	21,445	26,104
Crude oil and products carried by ENAM pipelines and for Third Parties (thousand/tons)	23,576	23,459	22,982
Crude oil and products carried by SNAM and chartered ships (thousand/tons)	46,183	38,152	42,787

ment of an area—generally about 3 square millimetres—with a proton beam. Areas up to 5 square centimetres may be treated if required.

### CONFERENCES Reducing drag in fluids

IN ANY system or process where fluid is pumped over some distance drag-reducing agents can improve performance.

### POLLUTION Lamps show the reading

A METER display which accepts an analogue input and lights up a row of light emitting diodes in proportion is offered by Alm Cambridge, Edison Road, Industrial Estate, St. Ives, Cambs. PE 17 4LF (0468 62225).

burners, a continuous 10 km length can be produced in either graded or stepped refractive index cross section.

### Does more than reply

NOT LONG ago the telephone answering machine was a bulky, difficult-to-use piece of office equipment which did little more than just play a pre-recorded message to the caller, and invite him to record his message.

### INSTRUMENTS Sees tablet structure

OFFERED by Newman-Howells Associates is an instrument that will determine the internal strength of a pharmaceutical tablet or similar item by measuring the cutting load while the tablet is being drilled.

Software AG of North America which also market the Ad data base management system acquired Com-plate in Germany to provide a support centre in Europe.

Adabas training its own staff to provide local support in the U.K. Six areas covered include: switching and transaction processing; program development; testing; maintenance of system software; operation; interface to on-line working; which is stated to give an extremely accurate spreading pattern. Breakaway devices protect the booms from accidental damage.

Employing an optional microphone, headset and foot control, the model 800 becomes a fully fledged dictation machine. Recorded messages are projected; new ones can only be recorded by clean tape, which the machine will find and nothing can be erased without positive action being taken to do so. The machine is only about 10 per cent dearer to rent than the company's existing top model at £4.82 a week over a seven year contract. Ansafone is at 19, Upper Brook Street, London W1Y 2HS (01-463 9232).

## Remember September 4-18 1977

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June 1977

This announcement appears as a matter of record only.

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## 7½% DM 10,000,000.— Loan of 1977/1987

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# The Management Page

هنا من العمل

EDITED BY CHRISTOPHER LORENZ

The future of many advanced engineering projects is threatened by soaring costs. David Fishlock examines new U.S. proposals for solving the problem with teamwork

## Split the risk of daring design

THREE years ago a top nuclear reactor was being built in the U.S. by General Atomic as the "environmentally acceptable" reactor. Were its advantages to be lost for ever because of the daunting scale of the "launching costs" for a new system—so much so that even two oil majors could not afford to meet them?

Indeed, the question is relevant to a much wider span of advanced engineering than thermal nuclear systems: to any jumbo-sized project where there are still major uncertainties associated with the science or engineering, coal conversion and the complex concept, oil-from-shale technology, fusion reactors, solar satellites, and so on. Is there any prospect that U.S. industry will ever commercialise these systems?

No company, McCormack believes, has made a profit out of commercial nuclear reactor sales yet. The cumulative losses of the five U.S. nuclear reactor vendors may exceed \$3bn. With the HTGR the negative cash flow that would need to be sustained was of a magnitude that made even two oil majors blanch. Losses on this scale implied that a company was gambling its future on a single piece of technology—much as Rolls-Royce had gambled its future on the RB211 aero-engine.



Richard A. McCormack, President of RAMCO

McCormack's disclosure was General Atomic had under-estimated its costs for its 10 reactors by a cool \$250m. As a clear salesman with Combustion Engineering, he knew the risks in these big contracts. General Atomic was labouring under an additional handicap that its system was not even rating on prototype scale. The company was not even local to the reactors. McCormack himself was unpopular for so dramatically exposing the commercial problems of General Atomic. Its employment early last year was down to 100.

But the man who some had tipped for the top job at Combustion was not so easily discouraged. He had switched to Shell—because—within the type of nuclear system General Atomic had tried to commercialise "really" was a better system, called the high-temperature gas-cooled reactor (HTGR), is a more advanced version of those used in aircraft engines. Much more sophisticated and difficult to design, the light water reactors of the kind Combustion were building at present.

The study set out to answer five successive questions about the HTGR—successive in that if the answer to any one question proved to be "No" there was little point in continuing the study. The five questions were:

- 1—Is the technology of the HTGR sound?
- 2—Is there a market for the HTGR?
- 3—Are there benefits to the nation that justify continued development and Government support?
- 4—Can a project be put together to commercialise the HTGR?
- 5—Is it feasible to establish bodies to execute such a project?

The study so far indicates that the answers to the first three questions are "Yes." RAMCO invited a number of major U.S. engineering companies to examine the critical features of the technology and concluded that there were no major insurmountable problems. It talked to over 30 U.S. electrical utilities, representing some 75 per cent of the U.S. market for power plant, and concluded that, even if electricity growth remained low there would still be a market for the reactor. It also concluded that it would be greatly to the national advantage to proceed with the HTGR.

Large for the HTGR to survive, chiefly because of its attractions in uranium conservation and in the control of nuclear proliferation.

To question four there is as yet no convincing answer. The U.S. utilities are also studying the matter independently. But the consensus so far is that the way to proceed is to accept the experience of three expert-utility HTGRs—in Britain, West Germany and the U.S. itself—together with the 330 MW demonstration power station at Fort St. Vrain near Denver, as a convincing joint demonstration that the technology works. (The weak point is that Fort St. Vrain, nearly nine years under construction, has still not exceeded 40 per cent of the output it was designed to achieve.)

The RAMCO report thus concludes that the next step—own Fort St. Vrain has performed satisfactorily at full-power—should be a commercial project involving not one but several full-scale HTGRs.

Question five is really the kernel of the problem. There is no way at present in the U.S. of launching a multi-plant project unless a utility chooses to order its plants in quantity.

So great are the risks—even risks from delays in completing plants to the required performance—that no utility is likely to place such an order for unproven technology. In Britain between 1965-70, two state-owned utilities, the Central Electricity Generating Board and the South of Scotland Electricity Board, placed orders for five gas-cooled nuclear stations of a novel type, at a cost of approximately £500m. The pre-estimate, with three stations still to reach power, is £1,120m.

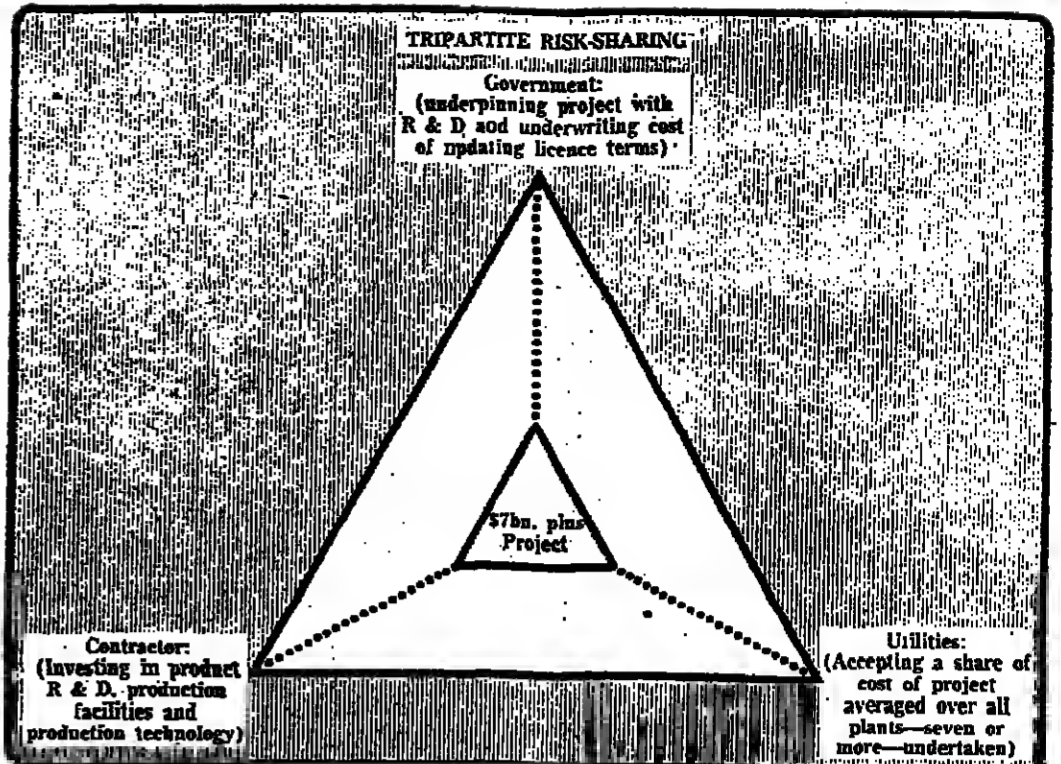
This loss will be carried by the utilities. But in the U.S. the financial risk is carried mostly by the reactor vendor. Until now the U.S. utility has seen itself as a low-risk business. It negotiates what is effectively a fixed-price contract for the nuclear system with penalty clauses on non-performance.

### Shortfall

What RAMCO's study proposes is that the utility in its own long-term interest should enter into a tripartite risk-sharing venture with the other two major parties to energy plant contracts, namely the vendor and the government. The government's presence would be essential not so much as a source of cash but because its own involvement in energy production, for political and strategic reasons, is increasing.

RAMCO envisages that several utilities might enter into a project to launch the HTGR, each accepting a share of the costs averaged over all plants in a project. Any shortfall in a plant's performance would then be spread among all the sponsors. For their part the vendors would make the investment required in production facilities commensurate with the number of plants in the project—probably a minimum of seven. They would guarantee delivery and manufacturing costs.

The government's role would be more diffuse. It would include a readiness to support and finance, in the national nuclear laboratories, the technology underpinning the project. It would also underwrite the terms of licensing and the risks of "backfitting"—modifications once the plant has been constructed intended to adapt to changes in the terms of licensing.

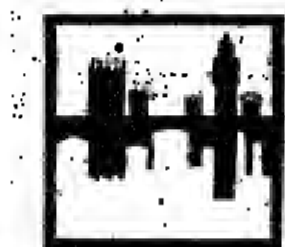


How the proposed new partnership between customer, contractor and government would work.

Assuming a nominal \$1bn. per plant, what we are talking about is a project costing \$7bn. or more. How does RAMCO propose to launch such a project on a tripartite basis among prospective partners which tend to be mutually antagonistic? It sees, first and foremost, a need to induce all three partners to inch their way towards one another. Its report proposes a new mechanism for doing just this, in order to persuade two of the three partners to increase their readiness to absorb risk.

The irony of nuclear risk-taking in the U.S. at present is that the high-risk reactor portion of the plant is negotiated on a fixed-price basis, whereas the comparatively low-risk balance-of-plant portion is negotiated essentially on a cost-plus basis. The RAMCO idea is to avoid false cost economies imposing upon the very portions of the project whose costs could escalate most damagingly if neglected.

Richard McCormack claims that this study discloses a serious interest on the part of two of the three prospective participants in launching an HTGR project. The RAMCO report, he is hoping, will also persuade the U.S. Government to participate—and to explore the new mechanism as one that might be applicable to other high-technology projects which have outgrown the resources of individual companies.



### INDUSTRY AND PARLIAMENT TRUST

## Not a lobby—just an offer of fellowship

"HOPELESSLY optimistic" is how most businessmen would describe the assertion that 15 per cent of MPs have a "detailed, practical working knowledge" of industry. Yet the claim was made at the weekend by one of those most closely involved in launching a new scheme to promote such expertise and knowledge.

Whatever one's view of a statistic which is at best subjective, there will be much less disagreement with the same executive's remark that his company's dealings with MPs showed they had an almost complete lack of sympathy and understanding for industry.

Serious concern about this state of affairs has prompted 11 of the country's leading companies to set up a scheme which will give fellowships to 25 parliamentarians at a time.

Speaking at the launching of the scheme, Lord Diamond, chairman of the trustees, emphasised that it was not intended to become a lobbying organisation. As chairman of a trustee board composed of Lords from the three main parties Lord Diamond, also underlined the non-party nature of the affair.

The scheme is intended to operate as follows, starting in the autumn. The trustees will select 22 people from what they hope will be a sizeable list of applicants, assigning two—of different parties—to each of the 11 companies. Only when more companies join can the number of fellowships be increased; the participants feel that two parliamentarians per company is enough, given that they will be asked to commit themselves to spending time with the company for at least 25 days a year outside parliamentary sessions, for between one and three years. At least a week a year must be continuous.

To avoid the scheme being misused, fellows will only be paid—by the Trustees—for any financial loss they can demonstrate has arisen because of their participation; this will include expenses.

Lord Diamond was suitably sceptical about the basis for selection. Neither left- nor right-wingers would be excluded, he said. But the applicants would have to be interested in the scheme for "good reasons." Ideally, the chosen few would be those thought most likely to contribute to the government of the country. Underlying his remarks must be some concern that the most likely applicants will be those with spare time on their hands—which in many cases, it could be argued, will be the less effective MPs.

Much will depend upon the attractiveness of the fellowship programmes. After a two-day induction seminar at the Henley Staff College, fellows will go off to the companies for a programme of work designed to show them how industry works from boardroom to shop floor and back again. Fellows will have some say in the programmes, which will be subject to the trustees' approval.

BOC International, whose chairman, Leslie Smith, pioneered the Trust concept well over a year ago, has already composed a long list of possibilities, some of which would be combined to form a package. Each would take the fellow to a different BOC division to show—and involve him in—various aspects of management in action; training and career development in the chemicals division, for example, asset utilisation and management in property, factory management in a third division, and so on.

BOC's example of capital investment planning—the most controversial subject of all—would be selected as late as possible, so the fellows could get involved in a live situation.

C.L.

## A FINANCIAL TIMES SURVEY BIRMINGHAM

JULY 27 1977

The Financial Times is preparing to publish a survey on Birmingham in its edition of July 27, 1977. It has been timed to coincide with the Jubilee visit to the city and to provide an up-to-date, detailed examination of Birmingham's economic, industrial and social developments on a day when it will be at the centre of national interest. The main headings of the proposed editorial synopsis are set out below.

<b>INTRODUCTION</b>	Birmingham continues to be prosperous but shares with other major cities problems of various kinds arising from unemployment, inner city decay and immigration.
<b>INDUSTRY</b>	Confidence is returning to industry, helped by government aid schemes, success in seeking new export markets, and falling unemployment; but the situation is patchy.
<b>MOTOR INDUSTRY</b>	A detailed examination of the car industry, central to Birmingham's prosperity, including Leyland's investment programme and performance, and efforts by component manufacturers to diversify into new markets, raise productivity and increase exports.
<b>LABOUR</b>	The prospects for industrial relations after a period of wage restraint: the issues of differentials and incentive payments in a city with a tradition of employing craft and skilled workers.
<b>FINANCE</b>	Birmingham, with an extensive financial community and a sophisticated range of specialised financial services available to industry and investors, is seeking recognition as an international centre.
<b>PROPERTY</b>	An analysis of the property market in a situation in which office space is in surplus, retail units are available and the local authority is promoting industrial property.
<b>CONSTRUCTION</b>	Civil engineers and building contractors have suffered badly from government spending cuts; private house sales are improving but the public sector has problems.
<b>CONFERENCE FACILITIES</b>	Birmingham is promoting itself as a conference centre; the range of hotels, restaurants, and night spots has been extended; an examination of the prospects of further development.
<b>NATIONAL EXHIBITION CENTRE</b>	The £40 million investment in the NEC has proved a success, providing a major stimulus to dependent service industries; a discussion of the administration involved and of the financial outlook.
<b>COMMUNICATIONS</b>	Birmingham, at the hub of the national motorway network, has benefited from investment in the railway system; the role of public transport; the future of Blunden airport.
<b>NEW TOWNS</b>	An assessment of Birmingham's new and expanding towns: Telford, Redditch, Tamworth, Droitwich and Daventry; the effect of changing population; the switch in government policy away from the third generation new towns.

The publication date of this survey has been changed to co-incide with the Jubilee visit on July 27; copy date is July 15 1977. The publication date was originally proposed for July 12 1977.

For further details of the synopsis and advertising rates contact Roger Bunnell, 021-454 0922.

Financial Times, George House, George Road, Edgbaston, Birmingham 15. Telex 338650.

**FINANCIAL TIMES**  
EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor.

## Question of where funds go

A DISPASSIONATE examination of "novel issues" raised by Government involvement in an increasing number of private companies is overdue according to Gabriele Ganz, author of a recently published book which examines the constitutional issue of public accountability and the wide range of procedures and mechanisms by which billions of pounds of public money are injected into industry.

The author also sees it as necessary to look at the different types of intervention made by Government in industry and at the wider implications of Government's relationship with industry.

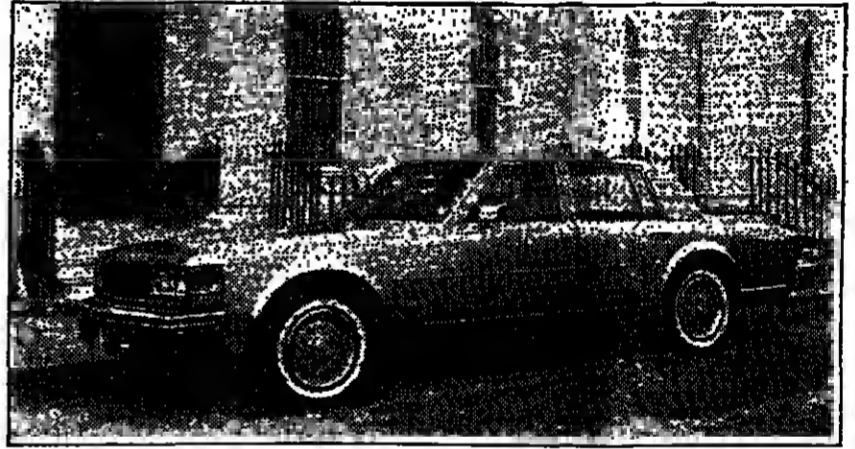
In discussing the problem of how to hold recipients of public money accountable to Government, Parliament and the public, Gabriele Ganz says that what emerges is that company law does not facilitate public accountability of limited companies.

### No consistency

There is, according to the book, no consistency among Government Ministers in their willingness to accept or deny responsibility for situations in companies which receive Government funds. It is not difficult for them to avoid answering questions on the grounds of confidentiality on information or that the issue in question is the responsibility of the firm.

Another point made is that, under the present mechanisms for seeking information on companies in receipt of public funds the setting up of agencies and public corporations—such as the National Enterprise Board—create a barrier between MPs and the firms which they may wish to seek information on. Such organisations enable Ministers to deflect questions from themselves, it is maintained.

Government and Industry, by Gabriele Ganz. Professional Books, Abingdon, Oxon., £5.50.



## The Cadillac Seville. It does everything but drive itself.

American cars, you expect to be sophisticated. After all it was the Americans who turned luxuries into essentials.

But even so, you'll be surprised by the sophistication of the new international size Cadillac Seville.

What's more, it's right hand drive. And when you press the front door-handle, the lock illuminates and the interior courtesy lights come on.

The leather or cloth covered front seats adjust electrically by push button. As do all the windows.

The steering wheel tilts and telescopes to suit your driving position.

When you switch on, chimes remind you to buckle your seat belt. And if the wrong key is inserted, the theft deterrent system buzzes.

You can dial the exact temperature you want with the automatic climate control.

Fibre optic light monitors on the front wings and through the rear view mirror let you know the lights are all functioning properly. Cornering lights help you see round corners as you turn.

The 5.7 litre engine has electronic fuel injection, regulated by computer. All you know about this inside, is three lights on the dash board. Green is when you're driving economically, amber means you're driving uneconomically and red is when you're low on fuel. There's even a light to tell you when you're low on washer fluid.

Cruise Control allows you to keep the car running at a predetermined speed and efficiency.

Variable ratio power steering means you can park the Seville with one finger. Automatic level control keeps the car travelling at a constant ride. Which means you hardly feel the road.

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The City plans its own police

A NEW SUPER-UMPIRE body, designed to ensure fair play not only in take-overs but in the City's security markets generally, is likely to be created before the summer is over. Secret discussions which have been taking place under Mr. Gordon Richardson, Governor of the Bank of England, will shortly be widened within the City in the hope that a sufficient consensus can be reached to make an announcement possible within two or three months.



Lord Shawcross (left), Chairman of the City Takeover Panel, and Lord O'Brien, former Governor of the Bank of England: will they launch the City's new Council for Securities Industry in tandem?

Critical days for pay

THIS WEEK, in which the annual conferences of both the transport workers and the miners take place, is the beginning of the final run-up to an agreement between the Government and the TUC, however rudimentary, about wage policy after Phase Two ends on July 31.

These concessions to trade union feeling would undoubtedly have their disadvantages. The harmful effect of Government intervention in public sector pricing, not only on its own finances but on the management of the nationalised industries, has become particularly obvious in the past few years.

A double warning from Australia

THE ATTACK on the EEC's or higher prices from the counter-trading policies by the Australian Prime Minister, Mr. Malcolm Fraser, coupled with an implied threat to withhold uranium supplies, poses a triple warning for the future of trade relations.

Uncomfortable fact

The access of political strength to uranium producers, an uncomfortable fact of international life, arises not from the example of OPEC, which simply led to a price increase which was expected, but from President Carter's non-proliferation policy.

BY MARGARET REID

It appears that the project is not an entirely uncontroversial scheme. There is a pretty general agreement in the City and in the industry... The intention is that the proposed CSI should keep a constant watch for signs of market rigging and other malign practices, as does the Securities and Exchange Commission, in the U.S.

MEN AND MATTERS

Russel Taylor's new lease

Six months after stepping down from his post as chief executive of the Italian International Bank Russel Taylor has re-emerged to form a leasing portfolio management and consultancy business together with Roy Buckle, an old friend from their years together at Hambros.

And all this

Some more heguling statistics, this time on the subject of the Common Market. The EEC Commission yesterday churned out for a breathless world the results of an opinion poll on what citizens of member countries think of the EEC.

own profit—a matter tackled in the Conservatives' abortive 1973 Companies Bill—will be published in the autumn. Revisions to the Prevention of Fraud (Investments) Act to improve the legal powers to supervise licensed dealers in securities are also being prepared.

Financing the new body—estimated to cost up to £250,000 a year—has been a matter for considerable discussion. The trend appears to be towards financing through some form of charge on security deals—massing the cost in the securities markets' users—rather than by a levy on City bodies.

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# FINANCIAL TIMES SURVEY

Tuesday July 5 1977

هكنا من الاصل

# Middle East Banking and Finance

The overall oil surplus will be more heavily concentrated in Saudi Arabia and Kuwait. But while the region is playing a much more active part in recycling funds and using them for development, an Arab capital market is still a long way from being achieved.

It is inevitable that the Middle East should still be exercising a disproportionate amount of the international financial community's attention still even though it has grown accustomed and adjusted well to the dramatic shift of wealth resulting from the 1973-74 oil price escalation. Nearly all the OPEC surplus is accounted for by the producers of the region, who account for eight out of the 13 members and 75 per cent of current OPEC production.

With the realignment of OPEC prices now in prospect and output in the first four months of 1977 running 6 per cent up on last year's rate, it seems that the total OPEC current account surplus may be as much as the \$42bn. calculated last year. The probability is that no less than 95 per cent of it will accrue to Middle East producers, in particular to Arab ones. The bulk of it will be earned by two of them, Saudi Arabia and Kuwait, while only the United Arab Emirates, Qatar and perhaps Libya can look forward to an excess of revenue which might be regarded as a surplus rather than increased working funds. But one of the region's OPEC members will suffer any marked payments deficit with the exception of Algeria which is experiencing no difficulties in borrowing from the Euro-markets, with its creditors apparently reassured by future revenue from its expensive gas projects.

Alone of the eight Algeria was in deficit in 1976. The distribution of a collective surplus of \$40bn. (before transfers of loans and grants) enjoyed by the others was uneven. As much as 60 per cent of it went to Saudi Arabia and another 15 per cent or so to Kuwait. The AE, Iraq and Iran all added

to their reserve assets while Libya's only declined marginally. Over the full year production of all OPEC members of the region rose by 12 per cent, with an output boosted by the buying spree in advance of the OPEC price rise. This was responsible also for the fact that their total revenue was up by an estimated 18 per cent from \$80bn. to \$95bn. despite the price freeze. Growth of imports slowed down from the phenomenal rates achieved in the previous two years. The pace of development may have slackened in some States like Iran which was one of the most vociferous in complaining about the erosion of the purchasing power of oil revenues.

Yet, with inflation roaring and the pressure on limited resources becoming intolerable, Iran in cutting back on expenditure was prepared to acknowledge that a slow-down was necessary quite apart from financial considerations. In their different ways, Iraq and Libya also learnt something of the limits of absorptive capacity posed by infrastructure bottlenecks, shortages of skilled manpower and administrative factors. A year ago Saudi Arabia, which— notwithstanding inflation—must have surprised itself in spending two-thirds of funds budgeted in its fiscal year 1975-6, also decided that it wanted a more measured tempo. Now Kuwait and the UAE—Abu Dhabi at least, if not Dubai—have also concluded that in terms of inflation and other strains, there are desirable limits to frenetic, uncontrolled growth of the kind that has found expression mainly in construction.

In the first four months of this year the oil production of the eight was up by 8.9 per cent overall though it has dropped over the past two months and is unlikely to revive to any great extent before the autumn. Over the full 12 months the increase in output may be sufficient to lift collective revenue by 10 per cent—the increase over 1976 levels at which OPEC is expected to compromise—even though Saudi Arabia and the UAE restricted their rise for the first half to only 5 per cent. The Kingdom's share of OPEC income of \$115-120bn. in the four years up to the end of 1980 sees the bulk of it going to the Kingdom. Kuwait's reserve assets have nearly reached \$20bn. and are generating an income at an annual rate of about \$1.5bn.

Having disbursed no less than 27 per cent of its revenue since 1974 in the form of aid, much of it in grant or concessional form, Abu Dhabi has about \$4.5bn. in its investment fund. With the burden of an increased budget it is contemplat-

ing the possibility of spending fully its revenue this year and the Abu Dhabi National Oil Company is planning to borrow to finance its big projects. Dubai has raised no less than the \$300m. on the international market for industrial and infrastructure developments over the past three years. Surpluses of the oil producers would be very much concerned. Qatar, with an investment fund, treated in the states with low absorptive capacities—Saudi Arabia, Kuwait, the UAE and other schemes.

Concentration of petroleum Arabia's accumulated reserves wealth has made the Middle East the biggest growth area earlier this year. The Kingdom for trade, business and banking over the past few years, absorption and officially regards but beyond that it is difficult this surplus as a transient to generalise about a region phenomenon. More reasonably which is predominantly Arab—the U.S. Treasury in predicting with Iran, like Israel, for different accumulation of nispetent reasons—maintaining a

cautions and responsible. a matter of self-interest and good intent. That would be true of their aid disbursements.

Saudi Arabia was not willing to provide as much as was hoped by the IMF to its special facility, expressing dissatisfaction with the terms which would be imposed on developing countries being assisted by it. Its position, no doubt, reflected the producers' alliance with the Third World. More militantly, Iraq warned other Arab states from participating in a fund designed, it claimed, to help capitalist rather than, developing countries.

In May the Arab Monetary Fund was finally established, with an initial capital of \$870m. The IMF, stated that the aim of supplementing the IMF, as well as reducing

Off-shore banks like those licensed to operate by Bahrain have shown their potential. Outside Kuwait, where the State has directly sponsored their participation in the deployment of state funds, strictly indigenous institutions have been limited by their inexperience and lack of development of capital markets in Arab countries.

In April, central bankers commissioned a report on the establishment of an Arab financial and money market which is to be submitted to the next meeting of the Arab Economic Unity Council. In practice, the past few years has seen a rapid development of individual centres and their institutions—as well as the eclipse, for the time being at any rate, of Beirut. It is, anyway peripheral to the main flow of petrodollars, the disposal of which remains very much in the hands of Governments. They, in turn, are still largely dependent on international intermediaries.

The conclusion of one British banker who addressed a conference in Damascus of the Chambers of Commerce, Industry and Agriculture for Arab countries on the subject recently was that "one single centre is by no means a pre-condition for regional development which, initially at least, could almost certainly be more speedily and successfully brought about through the existing domestic and off-shore centres." They, however, lack depth and even in the more advanced of them the employment of more sophisticated financial instruments is still something of a novelty. No doubt a more coherent market will emerge. But for the indefinite future, the bulk of international capital and Western expertise have played an important role, globalised world.

## An emerging market

by Richard Johns, Middle East Editor

The overall OPEC surplus was about 40 per cent last year, and will no doubt be bigger this year, supplemented by the growing income from its assets.

This year and next will continue the trend evident as far back as 1974 that the financial surpluses of the oil producers would be very much concerned. Qatar, with an investment fund, treated in the states with low absorptive capacities—Saudi Arabia, Kuwait, the UAE and other schemes.

Concentration of petroleum Arabia's accumulated reserves wealth has made the Middle East the biggest growth area earlier this year. The Kingdom for trade, business and banking over the past few years, absorption and officially regards but beyond that it is difficult this surplus as a transient to generalise about a region phenomenon. More reasonably which is predominantly Arab—the U.S. Treasury in predicting with Iran, like Israel, for different accumulation of nispetent reasons—maintaining a

tries of the Arab world (including four modest producers in Egypt, Oman, Bahrain and Syria) is only 10 per cent to 15 per cent of the surplus of the members.

The disparities are, equally striking amongst the producers. Figures published recently by the Bank of International Settlements showed that they contributed \$2.8bn. of the \$17bn. Eurocredits outstanding at the end of 1976 but obligations of the group amounted to no less than \$7.6bn. with Bahrain, Oman, Iran, Iraq and Libya foremost amongst short-term borrowers.

Two months ago Dr. Johannes Witteveen, managing director of the IMF, stated that the aim of supplementing the IMF, as well as reducing

Proportion

An increasing proportion of surplus funds may in future be absorbed within the Arab world. More of them will find their way to the private sector. At this level the consortium banks combining Arab capital and Western expertise have played an important role, globalised world.

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Investment in the Arab world

IN THE three and a half years since the oil price explosion of late 1973 intra-regional investment has become fashionable in the Arab world. Practically all of the deficit states are trying to attract Arab investment...

Part of the boom is a straightforward result of the oil-producing governments having higher surpluses and their citizens having more capital to invest as the effects of high government spending have worked their way through to the private sector...

during this century at the hands of technologically superior Western societies. It is not unusual that they should now wish to "do away with these unsatisfactory relationships that have made us a mere source of finance for economies stronger than our own..."

Intention

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governments like Egypt, to whom the very word "concession" would have been anathema only a few years ago, have become so anxious to attract Arab investment...

Government have also taken steps to liberalise their economies generally by unwinding exchange controls, paying compensation for assets previously nationalised and defining what they see as being the desirable limits of state control...

ABSORPTIVE CAPACITY OF ARAB OIL EXPORTERS (\$bn.)

Table with 7 columns: Country, Year, Oil revenue, Non-oil exports, Total revenue, Net Merchandise imports, Grants/aid disbursed, Absorption, Total Surplus (deficit). Rows include Algeria, Iran, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, UAE.

1976 figures are forecasts of expected output.

In the last year in Arabia there have been signs of increasing disillusionment and irritation with Egypt as an investment prospect.

Planning

Except for contributing to the capital of the Suez pipeline and the Arab arms industry, and pledging capital to one or two enterprises which are still at the planning stage...

Many cases AIC's name has appeared on the same lists as shareholders as KFTCIC's in the Kenana sugar project...

ing a big phosphates fertiliser plant in Tuosia for which it will be making available both equity capital and a loan.

By far the most important of the surplus Arab governments in the regional investment centre text has been Kuwait. In the past the Finance Ministry has made investments through the Kuwait Hotels Company...

KFTCIC had assets at the end of last year worth rather over \$350m, but its investments on behalf of clients (mainly the government) must have been very much bigger.

In many cases AIC's name has appeared on the same lists as shareholders as KFTCIC's in the Kenana sugar project...

Abu Dhabi has been rather more active than Saudi Arabia in intra-regional investments on its own - and its Ruler, Sheikh Zayed has made one or two major personal investments...

sort of full-time management should mean that investors persevere longer in the face of bureaucratic obstacles.

Bigger

Longer established, a bigger private sector Kuwait investments have been made by the Kuwait Hotels Company...

However, it may be that the near future private sector interest in regional investment will be increased by a Kingdom having recently become a member of the Arab Investment Guaranty Corporation...

The reasons for the Corporation's slow start have partly to do with its paid-up capital has been too small - and \$15m for most of the Corporation's life.

The slow start have partly to do with its paid-up capital has been too small - and \$15m for most of the Corporation's life. It gets only a small income from its portfolio investment and thus has been unable to afford good staff.

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MIDDLE EAST BANKING AND FINANCE III

World A bigger share of Euro-business

Table with columns: EXPORTERS, Grants/aid, etc. Lists various countries and their corresponding values.

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Vertical text on the left margin, possibly a continuation of the table or related data.

THE NUMBER OF Arab institutions taking part in the management and underwriting of Euro-bond issues has risen markedly over the past year or so, though the volume of activity in which they are involved has not necessarily increased in tandem. In 1974, Arab houses active in Euro-market lending was more or less confined to the three big Kuwaiti companies and one or two investment banks in Beirut. Over the past 12 months, however, names such as Saudi International Bank, Al Saudi Banque, Abu Dhabi Investment Company, Arab Petroleum Investments Corporation and the Arab Bank of the Middle East have been set up and started to appear on tombstones, while some already well-established banks and companies such as National Commercial Bank in Jeddah, National Bank of Abu Dhabi, Arab Financial Consultants Company in Kuwait and the Arab Investment Company in Riyadh have stepped up their activities.

Significant At the same time, the big Kuwaiti companies seem to have registered a significant drop in their activities on the Euro-market. The value of the area managed by the top 176 Kuwaiti houses halved in 1976 over 1975 - from \$398.37m. to \$210.19m. The two companies which the Government is a shareholder - Kuwait Investment Company (KIC) and Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC) - suffered a post. The wholly private Kuwait International Investment Company (KIIC) managed its lead management activity at around the same level in 1976, and so far in 1977 seems to be going strong. The reasons for the decline in KIC's and KFTCIC's activities last year are probably the decrease in liquidity in the Euro-market, which made competition for business stiffer; the implications of the oil boycott of Israel; applied to international financial transactions; and the trend towards more investment within the Arab world. If the bigger Kuwaiti companies are managing fewer

Long-term finance

MIDDLE EAST banking still an essentially short-term activity. Though oil wealth is steadily filtering down the state sector and individual sectors are becoming more industrialized, most Arab investors still see liquidity as more important than a yield. In addition, the necessary infrastructure to support longer-term lending has to be developed in most places in the region. Outside the Gulf, banking sectors are largely state-controlled or lacking in distinction. Within the Gulf, Saudi Arabia, the absence of government debt keeps the market short-term. The issue of Government bonds has been significant for four central monetary directors' market. Financial instruments such as certificates of deposit have yet to appear in Bahrain and Kuwait; other in Kuwait, there is no secondary market to support instruments (and even in all it is still at a rudimentary stage); forward markets in local currencies have yet developed far enough to match demand; many banks are still unaligned by Western standards to cope with longer-term financing. Some commercial banks, therefore, have begun lending more for industrial projects in Saudi Arabia, for instance, working capital for industrial projects can normally be obtained for up to 3-4 years, even if it means rolling over one-year credits. However, most longer-term finance in the Middle East is provided by Government or Government sponsored facilities. The Saudi Industrial Development Fund (SIDF), set up in 1974 and fully operational by March 1975, is the biggest and newest of the industrial funds. It lends interest-free (but with a service charge of 2 per cent) for up to 50 per cent of the total cost of a project (up to 100 per cent for electricity utilities) for up to 15 years. By March this year, it had committed about SR30m, with about 60 per cent disbursed. The biggest loan so far is for SR380m, to the Yemama Cement Company. Applications for loans are examined rigorously (40 per cent of initial applications do not result in a loan) but the time taken for approval is only 5-6 months. Apparently, the Saudi Government wants this period cut to about two months, but it is thought that Chase Manhattan, which manages the SIDF, is likely to resist. Chase is also involved in the Saudi Investment Banking Corporation, which opened earlier this year to fill what was seen as a gap between the short-term financing of the commercial banks and the long-term financing of the SIDF. But some observers think the 65/85 Saudi foreign bank may end up doing more commercial banking business than was originally intended. The Industrial Bank of Kuwait, set up in 1973 by the Ministry of Finance and Central Bank (49 per cent) and commercial banks, some large in and within three years of industrial establishments and insurance companies (51 per cent), has rather broader objectives than the other industrial banks in the Middle East. Not only does the IBK lend for up to 10 years at a rate of 4 per cent for 50 per cent of the total costs of a project (in

circumstances, the provision can be 60 or even 70 per cent). It also aims to develop a long-term industrial strategy, to finance projects not only in Kuwait that benefit Kuwaiti industries and to encourage the development of a domestic capital and money market in order to channel the savings into industry. The Industrial and Mining Development Bank of Iran is one of the oldest such institutions in the Middle East, having been set up in 1959, and it also has a wide spread of shareholders from Iran (86 per cent) and overseas (13 per cent). Its financings are more complicated too, the IR51.2bn made available in 1975-76 consisting of loans, investments, Government equity fund investment, bank guarantees and underwritings. This was a 62 per cent rise on the previous year. The IMDBI's loans have concentrated on textiles, food and transport; its share investments on agro-industrial projects, basic metal industries and banking and hotel services. About three quarters of the loans in 1975-76 were for over period out to about two months, five years. IMDBI's total revenues in that year were IR24.33bn (\$1.21bn) and it has been a frequent seeker of medium-term loans in the Euro-markets. Other sources of longer-term finance in the Middle East are highly limited. Some of the Kuwaiti investment companies/merchant banks are becoming involved in project financing, either within Kuwait or elsewhere in the Gulf and in Egypt and Sudan, but often these are real estate projects. Loans have been raised locally for one or two projects in Kuwait, but details are kept as much from the public eye as possible since Arabs in general still do not like to be seen borrowing money. Sudan and Egypt have attracted considerable longer-term funds from official and private sources. The Arab Investment Company, based in Riyadh and owned by 14 Arab Governments, provides loans direct for Arab projects and participates in syn-

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## MIDDLE EAST BANKING AND FINANCE IV

# Managing the surpluses

AS THE OVERALL OPEC surplus has fallen from the colossal level of \$70bn. odd in 1974 to roughly half that level in each of the years 1975-77, the problems of disequilibria in the international payments system and the recycling of petrodollars have caused less anxiety than they did immediately after the 1973-74 oil crisis. However, what surplus has remained is now concentrated in the hands of a smaller number of countries—namely the four chronic surplus oil producers of the Arabian Peninsula, Saudi Arabia, Kuwait, Abu Dhabi and Qatar.

Collectively these four countries have seen relatively little decline in their surplus over the past four years, and this means that the issue of their long-term investment policies, which given the temporary nature of the other OPEC states' surpluses was always an exclusively Arabian Peninsula subject, remains as important as ever. Unlike the other OPEC countries, which view surpluses in much the same way as do industrialised countries (as being something which can be run up or run down to fit in with broad government economic strategy) the Arabian Peninsula countries see their surpluses as a national resource, a replacement for oil in the ground. As such these surpluses form a sort of national pension fund on which the Arabian countries will be able to draw when their oil income starts to drop below the level of their spending.

The producers realise, of course, that they cannot invest anything like all of their surplus in a way which will yield the same capital appreciation as oil in the ground probably will. Quite apart from their being obliged to provide aid and gifts, there will always be limits on the amounts of long term investments they can accumulate without their running into political problems or damaging the world banking system. In other words, they have reconciled

themselves to the fact that producing more oil than they need for current spending is something they are obliged to do for political reasons, and that in affect they must simply forget a lot of their revenues. This means that the pension fund idea is a bit theoretical—for the long term the Arabian Peninsula states are relying more on diversification (to a limited extent) and on their oil resources lasting longer (and being in demand for longer) than expected.

Nevertheless it is clearly in their interests to invest at least part of their surplus in as commercial a manner as possible—within the limits of central banking authorities' normal practices. Obviously in some respects the Kuwaiti and Qatari Finance Ministries, the Abu Dhabi Investment Authority and the Saudi Arabian Monetary Agency (these being the institutions charged with investing the surplus in the different states) are not like central banks elsewhere—the mere fact that they are interested in a commercial rate of return and are prepared to invest in equities and property sets them apart. But in most important ways they are very conformist. They do not speculate in currencies or investments—their move out of sterling in the last two years has been achieved by their running down current balances held for expenditure (and replacing them with dollars) rather than by selling long term investments. Nor do they generally move funds from one country or capital market to another. In fact, as the SAMA Governor, Abdel-Aziz Qureshi said in a recent article in the New York magazine "Finance Watcher", "we do not engage in the sort of active portfolio management known among professional market participants."

In practice the funds that one is discussing here under the heading of "surpluses" are not the same as the surpluses referred to at the beginning of this article. The OPEC surplus figures of \$35bn. odd for the past three years are arrived at by adding oil revenues, non-oil exports and investment income, and deducting imports of goods and services and private current transfers. They are therefore current account payments surpluses, and, especially in the Arabian Peninsula countries, which finance both internal and external expenditure with oil revenues and changed as much of their spending as possible through the private sector, a certain amount of this surplus is going to be in private hands.

From the point of view of the Arabian Governments "surplus" means budget surplus, and accumulated budget surpluses are thought of as constituting "the reserve." "The reserve" is not the same as total foreign assets because it does not include funds earmarked for expenditure being held in cash, and nor is it the same as the figure quoted for central bank foreign exchange reserves in the International Financial Statistics of the IMF (which does include cash) because a whole number of items such as equities, property and aid loans which the Arabian Governments lump together in "the reserve" are not considered by the IMF to be liquid foreign exchange.

In the broadest sense the investment policies applied to the more commercial parts of "the reserves" of the Arabian Peninsula countries have not changed as much during the past three years as an outsider would expect. Certainly investment procedures and the departments handling investments have become more complex, bigger and more Arab and less Western managed. The day to day management of operations is rather more sophisticated and flexible. At the same time the idea contemplated by the Kuwaitis and Abu Dhabians in 1974 of making big spectacular purchases, such as the Kuwait Finance Ministry's share in Dalmer-Benz, as an easy way of disposing of large sums of money in good inflation-proof assets in single deals, has been abandoned in the face of the very hostile American and European response.

when the government set up the Kuwait Investment Board to run a portfolio in London and opened a further portfolio with Citibank in New York. Abu Dhabi began building up equity and bond portfolios in 1971, during a period of retrenchment which followed two years of serious overspending. And Saudi Arabia began raising the maturity of its deposits and CDs in 1972, in which year it came to the conclusion that it would have to embark on a programme of massive production increases which it was then thought would be needed to meet projected U.S. demand.

At present the disposition of the reserves of the Arabian Peninsula OPEC members, broadly speaking invested in the same manner as they were at the time of the 1973/4 oil crisis, is as follows:

Kuwait: At the beginning of this year Kuwait's reserves were believed to total about \$18-19bn. though the exact figure was so closely guarded a secret that even quite senior Finance Min-

istry employees were denied access to material outside the orbit of their particular jobs, in case they should be able to hazard a guess at the total and leak it to outsiders.

This total does not include any of the Finance Ministry's cash accounts or any of the funds held by the Central Bank as backing for the note issue or as the current accounts of ministries (these Central Bank items accounting for everything that the IMF statistics list as being Kuwait's reserves of foreign exchange).

All of the \$18-19bn. comes under the authority of the Finance Ministry, and the figure encompasses: deposits, CDs, government securities, corporate and institutional bonds, convertibles, equities, property, direct equity investments in the Arab world and elsewhere, the capital of Kuwaiti state institutions (including the Central Bank, the Kuwait Fund for Arab Economic Development and Kuwait Airways); loans to and investments in Kuwaiti public companies; loans to the IMF and the World Bank; capital contributions to oil producer sponsored project aid funds, investment companies, and recycling institutions; and bilateral government-to-government aid loans.

The investments in the Arab world were mostly managed through the Kuwait Foreign Trading Contracting and Investment Company and the Kuwait Real Estate Consortium (both discussed in the later Arab investment article in this survey); bonds were bought as much as possible through KFTCIC, the Kuwait Investment Company and the Kuwait International Investment Company; property outside the Arab world was managed partly by the Finance Ministry direct (the land on the Champs Elysees bought from the Intra Investment Company being in this category), partly by the Kuwait Investment Office, the Ministry's offshoot in London, and partly in American portfolios managed by Chase Manhattan and Bank of America; and equities were bought through 16 portfolio managers.

In 1976 it was decided on the initiative of the Prime Minister, who has always taken a close interest in the Reserve since the days when he was director of finance in the late 1950s, that some of the best investments should be earmarked as being part of a new "Special Fund for the Coming Generations." Accordingly the new account had "transferred" into it \$3bn. of the most attractive existing assets (valued according to their

prevailing market prices) and the 1976/77 15 month budget surplus of \$1.75bn. In the 1976-1977 financial year it is receiving 10 per cent of total state revenues—oil and non-oil.

The idea underlying the Special Fund is that whereas in the past the money in the reserve was not touched without the authorisation of the National Assembly, it has in practice been used for purposes for which it was never intended—distinctly non-commercial assets—including interest free aid loans. There was therefore a need for a fund which was inviolable, and which the Finance Ministry could put into first class equities and direct investments of an entirely commercial and non-political sort in the certain knowledge that their investments would not be disturbed for 25 years.

Saudi Arabia: In November last year the total assets of the

all of SAMA's funds were held short term, and although since then it has been the Agency's policy to lengthen the maturities of its deposits in the medium term range, there have been times when maturities have actually shortened. Such a period occurred in late 1974 and early 1975 when the drop in loan demand in the industrialised countries caused the banks to stop quoting significantly higher rates for long term than for short term money. In addition to deposits, SAMA invests large sums in fixed interest securities—treasury bills and bonds—with the bulk of its purchases being made on the primary market. For the most part the bonds are issued or guaranteed by governments, government agencies or international governmental institutions, but as an innovation during the past two years SAMA has begun buying a small proportion of high rated corporate bonds. A further innovation has involved the purchase of some blue-chip equities. Both the

loans (which also come under the Finance Department).

This leaves ADIA with investment operations mainly by four departments which are: equities and bonds, primary, finance and administration (which among other things, is responsible for loans to the Arab World Bank, and Arab investments. This department manages most of Abu Dhabi's equity participations in Arab joint ventures part fulfilling the same role as the KFTCIC and the Kuwait Real Estate Consortium in Kuwait.

It is of course the equities and bonds department which handles the core of the reserve—the part which would go with Kuwait's Special Fund. The Coming Generations bonds portfolio is managed by the department itself—in the days of the Board, the department directly managed, investments were: dirham deposits; various banks; which the Government arranged privately to buy for various governments and agencies in such countries as Ireland, Austria, France, 1 land, Spain and South Korea. The other portfolios, divided a regional basis, are managed by banks on the same basis most of the Kuwait Fin Ministry's portfolios.

Qatar: Early this year it is estimated that Qatar's reserve had reached \$1.5bn., these funds being managed by the Finance Ministry, which also holds separately a large sum of cash awaiting expenditure. Supervision of the investment operation is by the (main Arab) Qatar Investment Bank which is assisted by the Qatar Investment Office in London. This was established in 1975 to collect information for the Board on the London stock money markets—it does invest Finance Ministry funds.

The Qatar reserve is split between 10 portfolios, referred to as "investment funds"—in dollars, two in yen, two in Swiss francs, and one each in sterling, Deutsche Mark, French francs and Canadian dollars. The managers are international banks and investment companies, changed from time to time in accordance with the Board's judgment of performance, whose names are closely guarded secret. It is known, however, that either the present or in the recent past managers have included Barl with the sterling fund, Banque de Paris et des Pays Bas with the French franc fund, Hambros with one of the dollar funds, and that other international banks with close connections with the Finance Ministry (even if it is difficult to be sure whether or not finance funds) are Mandel's Hanover, First National Bank of Chicago, Morgan Grenfell and the Deutsche Bank.

The contents of the 10 investment funds are: equities; deposits with investment trust government securities; certificates of deposit; short-term deposits, gold mines shares, a little gold—but not real estate in the past there was a less rigid division of current between funds—the manager of one of the Swiss funds, instance held quite big amounts of Deutsche mark and Canadian dollar securities—but in the past two years managers have been instructed to confine their investments to one currency or funds there are certain as managed or held directly by Finance Ministry. These small amounts of investment, the Dutch guilder, the Austrian schilling, the Hong-Kong dollar and the Finnish mark managed by the Board itself, a share some land on the Champs Elysees bought from the Intra Investment Company by the government of Kuwait; Qatar's Lebanon in 1973, shares in Jordanian registered Arab Bank a share in the Intra-Investment Company (the Qatar government having been a big depositor the time the original Intra crashed in 1966), and all of government's shares in various Third World aid funds, investment companies and banks.

### DISPOSITION OF SURPLUS REVENUES OF OIL PRODUCERS 1975-1977 (\$U.S. bn.)

1975 Year	1976 Year	1977				
		First Half	Third qtr.	Fourth qtr.		
<b>United Kingdom:</b>						
British Government stocks	0.4	0.2	0.1	—	0.1	-0.1
Treasury Bills	-0.9	-1.2	-0.8	-0.4	—	—
Sterling deposits	0.2	1.4	-0.8	-0.3	-0.2	0.2
Other sterling investments*	0.3	0.5	0.2	0.1	0.2	0.1
Foreign currency deposits	4.1	5.6	2.2	1.8	2.6	2.0
Other foreign currency borrowing	0.2	0.8	0.6	0.2	—	—
	4.3	4.5	1.4	1.4	1.7	2.2
<b>United States:</b>						
Treasury Bonds and Notes	2.0	4.2	2.4	0.8	1.0	0.8
Treasury Bills	0.5	-1.0	0.5	-0.1	-1.4	1.4
Bank deposits	0.6	1.6	1.0	0.2	0.4	0.1
Other*	6.9	6.7	3.1	1.9	1.7	1.2
	10.0	11.5	7.0	2.8	1.7	2.5
<b>Other countries:</b>						
Bank deposits	5.0	7.0	1.5	2.0	3.5	1.5
Special bilateral facilities and other investments*	12.4	10.3	7.4	2.4	1.8	2.3
	17.4	17.3	7.9	4.4	5.3	3.8
<b>International organisations</b>						
	4.0	2.0	1.8	0.1	0.1	0.1
<b>Grand total</b>	<b>35.7</b>	<b>35.3</b>	<b>17.8</b>	<b>8.7</b>	<b>8.8</b>	<b>8.5</b>

\* Includes holdings of equities, property, etc. † Includes loans to developing countries.

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### Purchase

In fact the original idea of Kuwait and Abu Dhabi had never been to embark on any sort of "buying-up" campaign, but to conclude big deals on an ad hoc basis as and when they became possible. It was in this way that the Kuwaitis' purchase of the Daimler-Benz shares and St. Martin's Property took place. Contrary to popular belief at the time, these big deals of 1974 did not indicate a shift in favour of longer term investments. The basic decisions to invest the core of "the reserves" long term were taken at the time each state realised that it was about to become a chronic surplus economy. Thus Kuwait began channeling part of its reserve into equity investment in 1952,

### Agencies

SAMA does not think of the long term government accounts and the various other accounts it holds as being in totally separate categories and as requiring separate and watertight investment operations—although there are obviously certain assets which are "set against" the government reserve account. These include: contributions to the IMF's facilities, direct government-to-government aid loans, loans on a commercial basis to one or two industrial countries (notably Japan), loans to the World Bank and the United Nations; UN agencies, World Bank bonds, a great many of SAMA's holdings of gilts, institutional and corporate bonds (many of which the Monetary Agency will keep until maturity), equities, and loans to international and intra-regional institutions.

It follows from SAMA's view of the overall unity of the assets under its control that the Agency's investment management team, seconded from Faring Brothers and White Weld, applies the same basic considerations to the investment of all the assets under its control.

Deposits are placed exclusively with banks on the Approved List. Originally this list contained just ten names, but in recent years it has undergone two major expansions—one in 1972 when 25 names were added, and another in 1975 when 17 names were added. Taking into account two or three additions which have been made individually at different times and one or two subtractions, the list now totals rather over 50.

As regards the maturities of deposits, before 1972 virtually

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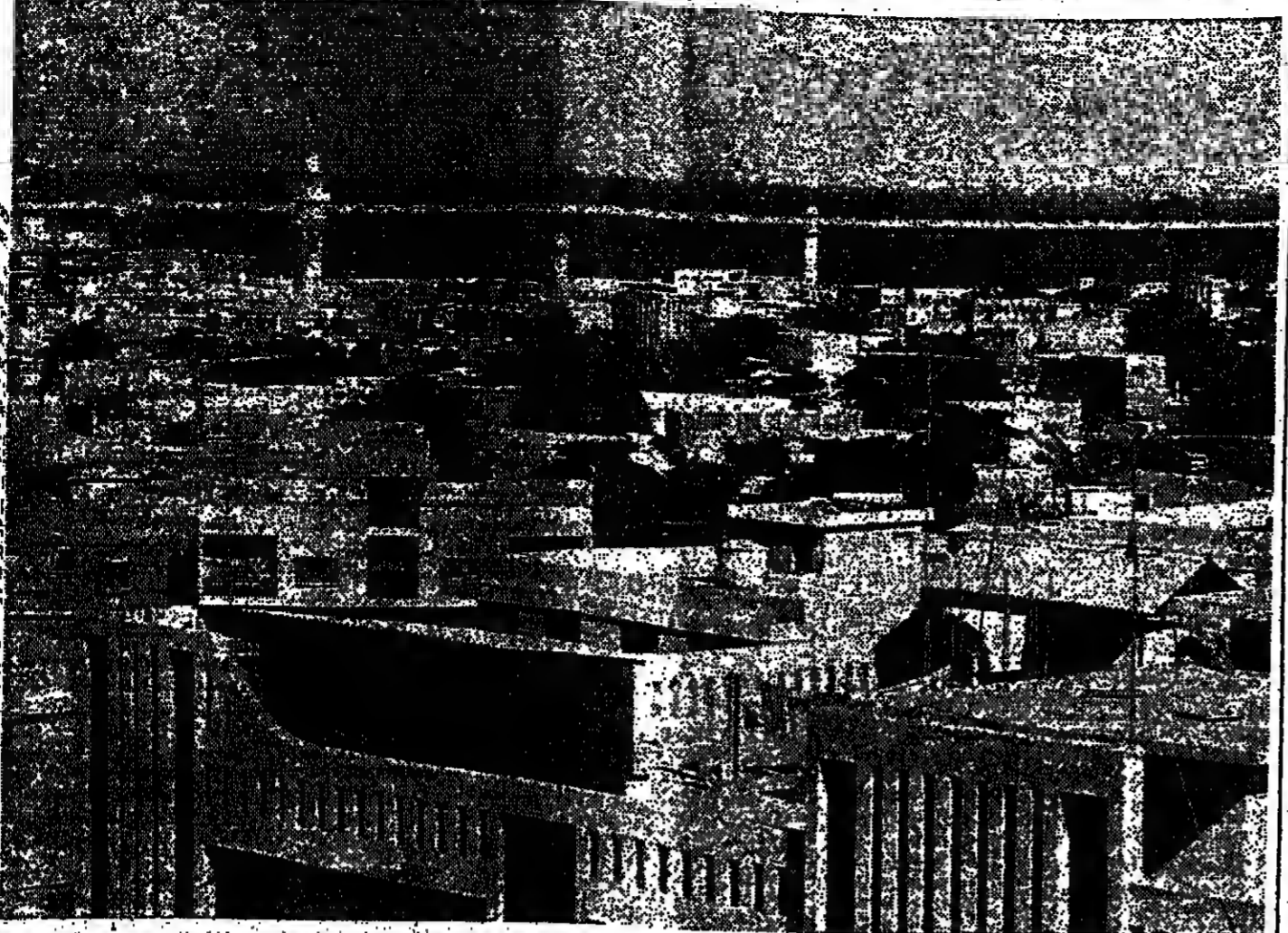
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Looking out over the capital, Riyadh.

## SAUDI ARABIA

# Putting on muscle

IT IS ONLY in the past two years that the Saudi banking system has undergone a massive expansion and begun to acquire some of the sophistication that one would expect to find in an economy as big and growing as that of Saudi Arabia.

Previously, the Saudi National Commercial Bank (NCB) and the foreign banks in the Kingdom remained small and far smaller than the banks in Saudi Arabia.

Even now there are only 12 commercial banks in the Kingdom, a figure unchanged since 1973, and only some 70 branches - a good number of them seasonal.

Meanwhile the Saudi Arabian Monetary Agency (SAMA), the country's central bank, will still not act as lender to the banks - either directly or through offering discount facilities.

From the \$2.7bn of mid-1974, Saudi banks' assets grew to some \$7bn at the end of Ramadan (late September) last year and must now be approaching \$10bn.

Source: Apart from the rapid growth, the most conspicuous development of the past two years in Saudi banking has been the emergence of an inter-bank deposit and exchange market. This development has been pioneered by National Commercial Bank and Citibank (collectively the biggest and second biggest banks in the kingdom).

to a single borrower exceeding 50 per cent of their capital plus reserves.

Then in the late spring of 1976, the British Bank of the Middle East, which had for long been one of the staunchest supporters, believing that acquisition in a partial take-over of the Kingdom.

At present the British Bank of the Middle East and Banque Indochine are at quite an advanced stage in their conversion to 60 per cent Saudi.

Thinking: What would probably cause the Saudi bond market to take off would be the issue of bonds by a big Saudi company (as was reported to be in the pipeline recently) or a big foreign company in Saudi Arabia - assuming that is that the public could custom itself to thinking of bonds as a store for liquidity and not as a long term investment to be kept until maturity.

Ironically the side effects of Saudisation, in encouraging lending through Bahrain, have helped to internationalise the market in just the way that SAMA has hoped to avoid.

Michael Field

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UAE

Need for reform

INCREASING (1973-76)

1973-76	1976-7
0.086	1.111
0.345	1.041
0.350	1.328
0.781	3.318

ATE LAST YEAR the chief executives of the monetary authorities of the United Arab Emirates, Kuwait, Bahrain and Qatar in Dubai. Ostensibly their meeting was to discuss the progress being made towards the planned currency union. But it was dominated by the subject of inflation. In the four states inflation is raging—with the rate varying intensively from 25 to 40 per cent. It was decided that they should attempt to attack the problem in unison. There has been no joint campaign. The prospect of a common currency, meanwhile, has receded further into the future—not the least because of the extraordinary growth in credit in the UAE and the measures taken by the Currency Board, in part, at least, to curb it.

The new measures came in a package introduced by the Currency Board in May. The regulations called on banks to bring their capital and reserves ratios into a ratio of one to 15 to their total liabilities. They also increased Dirham deposits held by the banks with the board from 5 per cent to 7½ per cent. It also declared a full moratorium on all new banks for the foreseeable future. The measures were designed to bring down the level of credit, curb inflation and help create a more solid base for the system. Overall, the package was welcomed by all banks, though some are expected to experience difficulties over the capital ratios, although the board has given the banks a considerable time to bring themselves in line.

Perhaps the greatest shock was the failure of the Currency Board to move in and protect the depositors. According to its statutes the board has a duty to uphold the stability of the banking system, and following the closures there were detectable flights of funds away from the locally incorporated banks to the larger foreign banks. The situation was not helped by the circulation of lists by shopkeepers which advised their staff not to accept cheques from a number of reputedly edgy banks. An additional complication was that the Ajman Arab Bank was partially owned by the ruling family of Ajman, and the failure of the board to move in, sent a clear message to other emirates that Abu Dhabi is not going to bail them out of unwise commercial dealings.

Neither could be financed by Government thought that the bank borrowing. Foreign currency reserves of commercial banks with the board were also increased from one per cent to 5 per cent. The moves were directed at bringing down the level of imports into the country. Some members of the Government thought that the decision had been a little "over-enthusiastic and too hasty". Others interpreted it as "growing pains" for the new management of the Currency Board, and hoped that in the future its decisions would be a little more reasoned.

to a massive outflow as much as \$300m around the end of the year. The Central Bank of the UAE and the measures taken by the Currency Board, in part, at least, to curb it.

In their competitive way the individual Emirates of the seven Emirates were keen to attract as many institutions as possible believing that there could not be too many. Wishing to build up the UAE as a financial centre, the Currency Board actively encouraged new entrants. When it was established there were 20 banks operating in the Federation, 14 of them branches of foreign concerns and six locally incorporated.

The great glut of credit which ensued was to a large extent ploughed into the property development sector. In Abu Dhabi it absorbed 60 per cent of all bank credit by last year. In Dubai it was much less, accounting for one sixth, reflecting the Emirate's role as an entrepot centre for the UAE and the region as a whole. Speculation was rife and profits much fatter than any productive enterprise could provide. A number of banks became so deeply involved in the real estate market as to act as property agents, advising the developer on contractors, architects and even providing tenants. Late last year the Currency Board began warning banks against lending long and borrowing short, for a number of banks had allowed their advances to exceed deposits by as much as 250 per cent.

The decision also provoked the resignation of Mr. Ronald Scott, Managing-director of the Currency board which he had originally established. Mr. Scott was to be deposited to back tender

Banking troubles in the UAE this year very much reflect the divisions in the Federation, a unique entity which is still evolving. The International Monetary Fund has long urged the establishment of a fully-fledged Central Bank with specific, adequate powers to control credit and inspect the operations of banks. Draft legislation to create such an institution has been ready for a year or so—but has not apparently found favour with Dubai. This State also has not been prepared to make over its foreign exchange receipts from oil to the Currency Board—a practice that Abu Dhabi started over two years ago. At the same time the decision to withhold funds from the banks in trouble in May appeared to stem in part from President Zayed's resentment that the Currency Board has underwritten funds for Ras al Khaimah, Sharjah and Ajman.

For the moratorium to be effective, the powers of the Currency Board must be strengthened to supervise what is authorised by the opening of two more territories in the world.

Subsequently the moratorium was lifted to allow in Lloyd's Bank International (because of its supply of credit for Dubai's industrial projects) and branches of the national banks of Bahrain, Qatar, Oman and the UAE Currency Board. The specific powers of the Currency Board are not clearly defined, but it is authorised to supervise what is authorised by the opening of two more territories in the world.

The situation was becoming increasingly precarious when the dirham squeeze came in February this year. It followed a move by the currency board to acquire foreign exchange. Banks eagerly bought the dollars up, but the board promptly called on them to pay up in dirhams. For added effect, it applied a punitive 1 per cent a day interest rate on overdrawn balances with the board, and cancelled swap facilities. Some of the more conservative bankers made spectacular profits, while others were shown to be clearly over extended. However, this lesson was not learnt sufficiently well by a number of banks.

Shortly after, Sheikh Rashid, Ruler of Dubai gave approvals for two more banks to operate within his emirate, one the Union Bank of the Middle East and the other the Emirates National Bank, both owned by prominent Dubai interests. This was in direct defiance of a moratorium applied by the currency board the year before on all new bank openings. Clearly, the board had to reassert its authority and institute some kind of control over the unlettered banking community.

When the crisis was completed a report in the meantime a member of the Currency Board invited the Bank of England to send experts who were eventually dispatched when word was received that both his colleagues and the Government would welcome them. It remains to be seen whether they will be able to stimulate the reforms required if full confidence is to be restored.

Robert

Following Bahrain's venture into off-shore banking last month the UAE invited international banks to apply for restricted banking licenses permitting them to do any business except domestic retail operations defined as the taking of dirham deposits but in practice allowing considerable on-shore business. The intensive competition already existing in the UAE and the head start obtained by Bahrain in attracting the top names internationally did not encourage applications. Only a dozen have been granted—six for Abu Dhabi and six for Dubai—but only one, in the latter has actually set up shop.

Doubts about the stability of the UAE banking system grew as the economic boom gained momentum. By early 1976 the competition for business

Following the OPEC split, Kuwait, at the upper end of the scale and with only heavy sulphurous oil to offer, expected to be hard hit, but was in fact only down 0.8 per cent in January-April period. With a 10 per cent price imposed from the beginning of the year it seems probable that revenue would have been more in the region of \$3.5-3.6bn, or about twice the anticipated expenditure of KD1.27m. (\$4.45bn).

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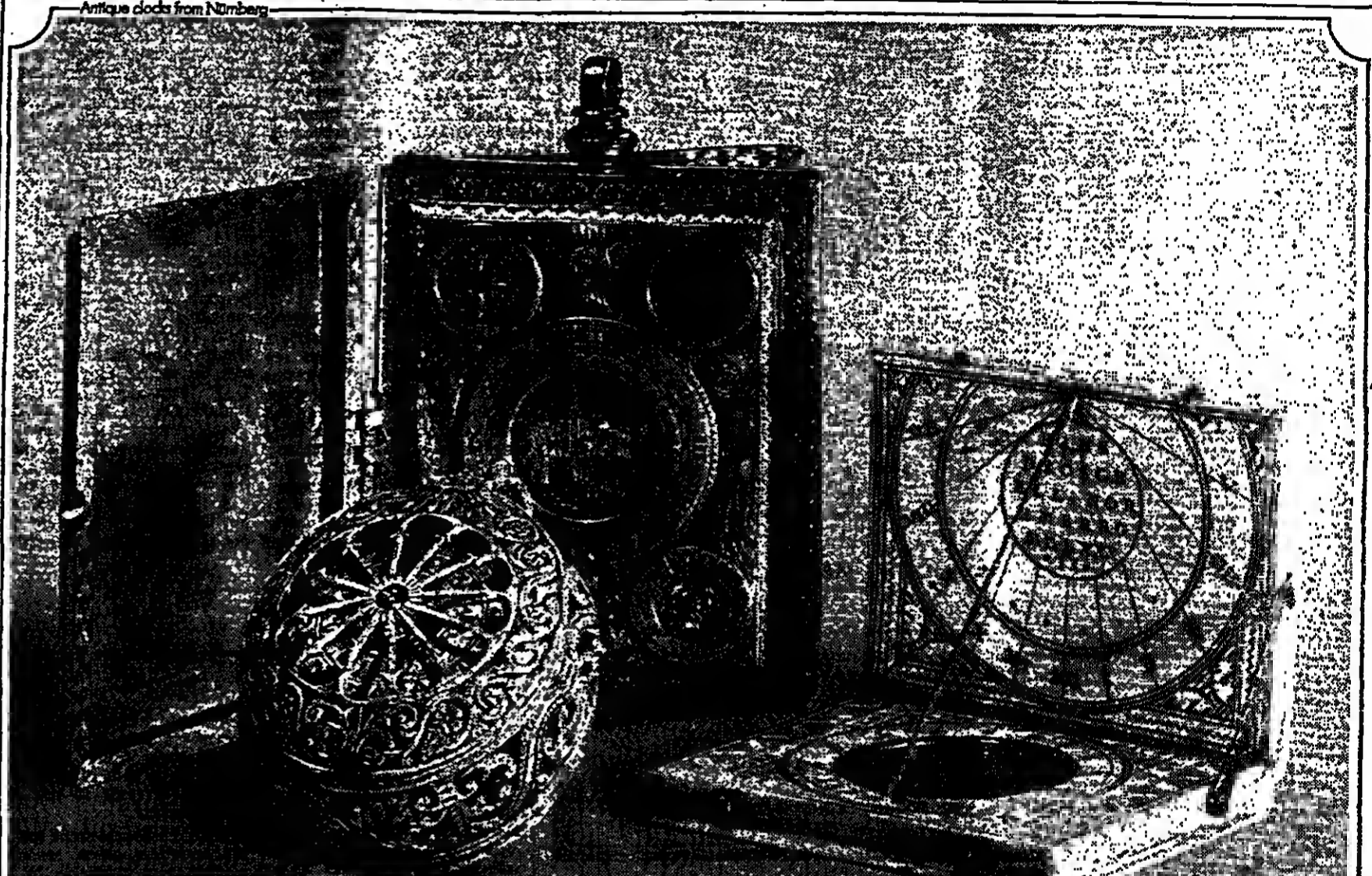
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THE FIRST six months of this year have been very quiet ones for both of Bahrain's banking communities...

March. At that rate of increase for the December figure was \$8.2bn. It looks as though director-general Alan Moore's prediction of a \$10bn market within a year...

from setting up new retail banks contrary to the intended moratorium by the UAECB. Possibly the lowest point in the relationship between the two banking communities came during the dirham crisis of January-February this year...

Foreign exchange is still an important area of business for the OBU's and for some of the smaller ones it is almost the only business they do. But the past year has seen a marked increase in commercial lending...

The principal countries into which the Bahrain offshore banks are leading are Saudi Arabia and Kuwait with Iran being considered as possibly a very good market. The Kuwaitis showed an interest in the Bahrain offshore market from the beginning and now, Bahrain-based bankers say, they use the market extensively.

The biggest lenders in Bahrain are the National Bank of Bahrain which had an increase of over 80 per cent in advance last year, the Chartered Bank of the Middle East and Bank of Bahrain and Kuwait (not in order of size).

UBAF logo and text: An Arab and International Association in Banking and Finance. Includes a globe and list of member banks like UBAF BANK LIMITED, UNION DE BANQUES ARABES ET FRANÇAISES, etc.

The off-shore bankers, too, are digesting the results of their first months of operation and planning for the future accordingly. "It is significant that most of the off-shore banking units now operating are expanding their staffing," comments Alan Moore.

Presence As it is a major vehicle for the funds of the Abu Dhabi Government, its presence in the Bahrain off-shore market should expand business considerably if it brings its foreign exchange business over.

The competition between Bahrain and the UAE to become the money market in the Gulf (always denied by Mr. Moore of the BMA and the former managing director of the UAE currency board, Mr. Ronald Scott), has now died.

Bank and the Bank of Kuwait and the Middle East had total assets of KD1,833m. (\$6,430m.) at the end of March, up 37 per cent on the KD1,340m. recorded a year earlier.

Kuwait

\$34.13. Only KIC more than held its own, with seven issues totalling \$175m. Explaining the decline earlier this year Mr. Abu Saad explained that the institutions had met resistance from "some anti-Arab companies"...

Bank and the Bank of Kuwait and the Middle East had total assets of KD1,833m. (\$6,430m.) at the end of March, up 37 per cent on the KD1,340m. recorded a year earlier.

Parallel with this development was a big increase in the mobilisation of loans in Kuwaiti dinars. In 1976 they totalled KD80m. compared with KD32.5m. in 1975 and KD15m. in 1974.

Bank and the Bank of Kuwait and the Middle East had total assets of KD1,833m. (\$6,430m.) at the end of March, up 37 per cent on the KD1,340m. recorded a year earlier.

Bahrain Monetary Agency logo and text: The Bahrain Monetary Agency is the government body which monitors Bahrain's offshore banking units and domestic banks. Includes P.O. Box 27, Manama, Bahrain and Tel: 712657, 714023, Telex: 8295.

And yet in the early days of 1976 when the Bahrain offshore market was more of an admired concept than a reality, there was much public debate as to whether Bahrain was really the best place for such a market to establish itself.

The market started in January last year with about \$1.5bn. of funds and two banks, Citibank dealing in Eurodollars and Algemeuse Bank Nederland taking the plunge into regional currencies.

Some of the off-shore bankers believe that a retail bank will be the most natural source of certificates of deposit, should they ever occur.

Bank and the Bank of Kuwait and the Middle East had total assets of KD1,833m. (\$6,430m.) at the end of March, up 37 per cent on the KD1,340m. recorded a year earlier.

There is not much bond dealing as yet though bankers comment that the advent of the Reuter Monitor service has given a fillip to trading. Trade in the two Bahraini dinar issues this year, for the Philippine government aid for the Mexican government agency Naftasa, is light.

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Downturn

This apparent drying-up of credit in Bahrain has produced some cries of outrage from companies and individuals, particularly those who are now being through a rough economic patch themselves.

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Richard Johns

# MIDDLE EAST BANKING AND FINANCE IX

## JORDAN

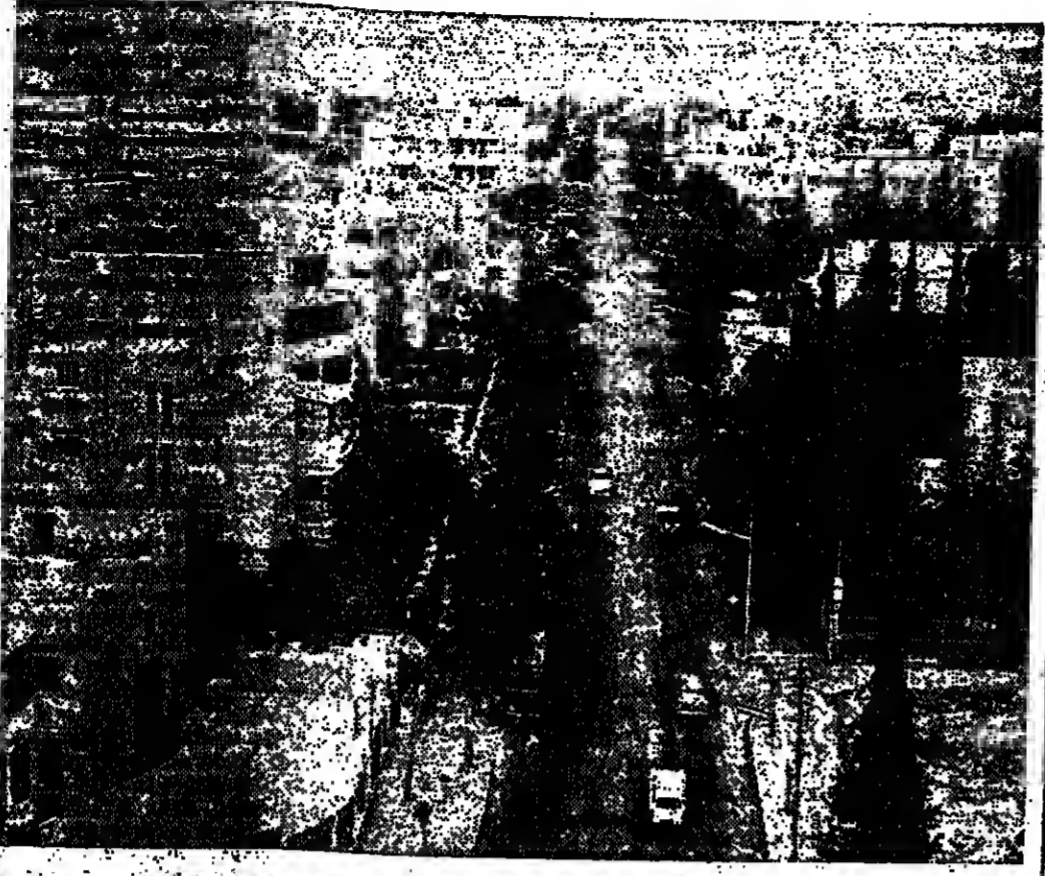
### Local controls

THE JORDANIAN banking system is small, but by the standards of the vasty Arab countries on which the attention of the outside world is more often focused, it is quite sophisticated and is closely involved in the development of all sectors of the domestic economy. The banks in Jordan have none of the huge foreign assets of Arabian banks, but they have lent a substantial amount to local industry.

At the end of February this year the commercial banks had loans outstanding worth JD194m (\$388m), of which general commerce and foreign trade accounted for 42 per cent, and purchase and construction the third largest category. For the first time, 18 per cent of the loans had been advanced to the industrial sector.

In the past they have lent to most of the big industrial projects in the Kingdom—phosphates mining, the cement plant and the Zerga refinery—but it is only in the past two or three years, under the three year and five year plans, that they have begun industrial lending on a significant scale. Loans to this sector by the commercial banks alone have risen from JD4m at the end of 1972 and JD8m at the end of 1973 to over JD24m in February this year.

Meanwhile the Industrial Development Bank, a specialist lending institution financed partly by the commercial banks, had loans outstanding at the end of last year worth almost JD8m.



Looking down the main street in modern Amman.

**Loans**

Much of the banks' increased enthusiasm for industrial lending can be ascribed to their growing confidence in the Kingdom's political stability and economic prospects (even with the West Bank)—a confidence which is conducive to long-term lending.

Loans for real estate purchase and development on the other hand, are now something which both the commercial banks and the authorities would prefer not to see expand. The authorities are anxious to channel the capital into more productive operations and the banks because they feel that in Amman, as elsewhere in the Middle East, the property boom has peaked.

Although some of the foreign banks always made it their policy not to lend consciously to real estate developments, there is no doubt that the land boom was fuelled largely by the bank lending. And the scale of bank lending must in reality have been much greater than the official statistics would have shown because of the banks' eagerness to prevent big and big-brotherly deals or general targets of the state has been the primary purpose of finance ministries, who have been encouraged to buy property investments.

In future an increasing pro-

**Downturn**

The appearance of credit in Amman, some of it of a speculative and speculative nature, has been a patch of downturn in the district which has been a business downturn.

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In future an increasing pro-

portion of demand for loans for property developments and house buying (though not land purchase or speculation) will be met by the Housing Bank, which was established in 1974 and by the end of last year had outstanding loans of JD23.4m. The Housing Bank, which is supplementing in a very big scale the work of the old and small private sector Arab Land Bank, may lend up to JD7,000 per customer for private housing and up to JD35 per square metre for commercial developments, as well as subscribing to the equity of projects for the production of building materials.

ADAB, seeking to discourage speculation in real estate, lending and are now something which both the commercial banks and the authorities would prefer not to see expand. The authorities are anxious to channel the capital into more productive operations and the banks because they feel that in Amman, as elsewhere in the Middle East, the property boom has peaked.

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In future an increasing pro-

ment is clearly prepared to look at one or two applications in names are really first class. The point is that the Government fears, reasonably enough, that an uncontrolled expansion of numbers would lead to over-intense competition, and might seriously weaken some of the middle-sized Jordanian-owned institutions. After all, the Jordanian banking system is still very small—at the end of February this year total assets came to only JD292m (\$377m).

Ironically the biggest of the Jordanian banks, the Arab Bank, is very much bigger than the entire Jordanian domestic system. Its assets at the end of 1976 totalled JD713m (\$2.1bn.), excluding contra accounts, and according to last year's league table of deposits ranked it above the National Bank of Kuwait and the National Commercial Bank of Saudi Arabia but below the Banque du Caire and the National Bank of Egypt—if the official rather than the incentive rate is used in converting Egyptian pounds into dollars.

**Excess**

Where the Arab Bank is unchallenged in the Arab world is in its spread of branches and what it calls "sister institutions"—former branches which have been "localised" by being obliged to sell part of their shares or take on a local partner. This has already happened to the Arab Bank in Morocco and Nigeria and it is in the process of happening in Saudi Arabia.

True to the principles of its founder Abdel-Hamid Shoman, who in the late 19th century left his village north of Jerusalem to seek his fortune in America, the bank tries to invest as much of its assets as possible within the Arab world. The excess funds from its normal Arabian operations—finance trade and construction for the most part—it will try to invest in syndicated loans or bond issues arranged for major Arab borrowers in the deficit states of the region. Much of this work it will do through its merchant banking joint venture the Arab Morgan Grenfell Finance Company. Funds left over from regional lending are not channelled into Jordan but are invested on the money markets by the London and Zurich branches which handle all the other branches' overseas business.

**Concern**

The other noticeable concern of the Central Bank, outside the realm of the broad regulation of the economy, is to develop in Jordan a strong domestic banking system, not least in order to assist the country's development as a regional services and manufacturing centre.

In this context the Government has been anxious that Jordan should not become over-banked. At present there are 18 banks operating in Jordan (including the Industrial Development Bank and the Housing Bank, both of which lend at commercial rates), while a few more have been registered but are not yet in business. The biggest of these banks is the Arab Bank, followed by Grindlays (which had the advantage of having branches outside Amman before it was decided four or five years ago that foreign banks should not be allowed to establish provincial branches), and then the Jordan National Bank and the Cairo Amman Bank, which is jointly owned, registered in Cairo and conducts the bulk of its business in Jordan.

It is not that there is an actual moratorium on the establishment of new institutions in Amman—recently both Citibank and Chase Manhattan have been allowed to open branches, and given the recent growth of the Jordanian economy the Govern-

ment is clearly prepared to look at one or two applications in names are really first class. The point is that the Government fears, reasonably enough, that an uncontrolled expansion of numbers would lead to over-intense competition, and might seriously weaken some of the middle-sized Jordanian-owned institutions. After all, the Jordanian banking system is still very small—at the end of February this year total assets came to only JD292m (\$377m).

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Amman—Makdasi Street	Makdasi	
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Amman—Sukh	Sukh	
Amman—Wahdat	Wahdat	
Amman—Sukh	Sukh	
Amman—Sukh	Sukh	

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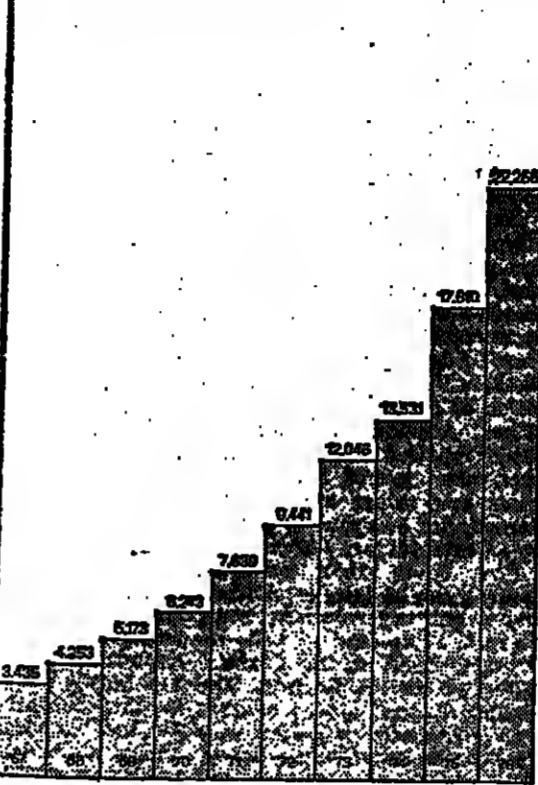
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Michael Field

MIDDLE EAST BANKING AND FINANCE X

LEBANON

Problems behind recovery

EACH DAY NOW Ridd al Solh, Beirut's commercial and banking centre, looks a bit more like its former self. This was the area of Beirut that took some of the heaviest punishment during the fighting, and when Syrian troops of the Arab peace-keeping force took control of the city last November, Riad al Solh looked a sorry spectacle. The streets were littered with shattered glass and debris, the buildings were pockmarked by shells or blackened by fire.

hard to qualify. "If confidence returns to Lebanon, then the losses can easily be absorbed. If not, then the loss will be not merely to the banking system but to the entire Lebanese service based economy," one banker remarked. This may sound obvious enough but the point has to be stressed.

Damage

As a result of the fighting, 15 major banks had their head offices badly damaged and looted. In addition, a further 30-odd branches were similarly affected. The majority of the looting occurred in January 1976 in the central banking area of Riad al Solh. Among the big banks affected were Banco di Roma, BEME, Rif Bank, Aigemen Bank and the Saudi Commercial Bank. Curiously, no American bank was badly affected by looting. From the Lebanese point of view, the most encouraging aspect has been how the foreign banks, who dominate the banking scene, have striven under difficult circumstances to service clients. The BEME has been singled out in this respect by many individual bankers as having done an extraordinary job in maintaining operations throughout in one form or another despite first losing its head office and then its temporary head office.

The same cannot be said of all banks. The North American banks came under considerable criticism, both from Lebanese and other foreign bankers, for deciding to close down operations completely as of March 11, 1976. This meant that clients who had accounts were unable to utilise them. The first North

American bank, Chase Manhattan, reopened only on November 29. These banks are now acting quickly to remove any stigma that might be attached to their action, and it will probably soon be forgotten. But at the time it was not taken well.

Last year, box holders in both these banks formed committees to press claims. But no formal claim has yet been received by any bank. According to lawyers there is no real precedent for such action, and they are doubtful if there is a legal means of recovery. As for the culprits, the finger of suspicion has been pointed at the Syrian-backed commando organisation, Saïqa. But proof is never likely to be forthcoming.

Insecurity has tended to consolidate the dominant position of the big banks, especially the foreign-owned ones. Or the 73 commercial banks, probably less than 15 now account for over 65 per cent of all the banking system's assets. Deposits held with smaller banks have been removed or "chimed" and placed with the big banks. In particular, the Arab Bank, already the leading bank before the fighting, has further strengthened its position. According to its recently published balance sheet, deposits rose from \$833m. in 1975 to £1,017m. in 1976. There is little doubt this has been due to trust in its conservative approach and to a widespread belief that it had the best security.

Another byproduct of the fighting has been to increase the geographical spread of banking. From being centred on Riad al Solh, banks have now spread, in remain operational, either towards Hamra in West Beirut or towards Ashrafieh in East Beirut, and Jounieh. This there has been an increase in the total number of branches from 314 before the fighting to 332 in February 1977, according to M. Pierre Nasrallah, Secretary General of the Bankers Association. Banks operated where they could and where their clients were—and the centre of town was impossible. Bankers play down any idea of encouraging economic separation. Indeed, they are attempting to show the flag by reopening, albeit on a small scale, head offices again in Riad al Solh. Though the Central Bank has been notified of new branches, no formal permission

has been granted. Thus technically all new branches opened as a result of fighting are "temporary."

Continued uncertainties at the political level are now keeping the banks highly liquid. There is very little lending taking place except small sums or to a few select prime clients. Although the legal reserve requirements were informally waived by the Central Bank during the fighting, the banks are placing large sums with the Central Bank. The latter now has over £1bn. of such funds. The big banks themselves are reluctant to take in new deposits in such a situation, offering as little as 3 per cent. (The smaller banks are offering higher rates.) Basically the banks do not want to start lending until the Government reveals its hand more clearly on its reconstruction plans and how it will finance them. Meanwhile the business community awaits such plans and improved confidence before risking going to the commercial banks for credit.

or Arab financial institution other than on a purely one-off emergency basis. This has meant that the Government has split its Budget. In early May £800m. administrative Budget was approved to cover essential operational expenses of the Government. A reconstruction Budget—in two parts—was passed last week.

The Government intends to use the newly constituted Reconstruction Board as a means of determining projects and allocating funds. However to ensure that the State does not kill commercial banking it is proposed that once funds have been approved they are handed over to commercial banks to handle on behalf of the client. In this way bureaucracy will be limited and banking stimulated. But because the commercial banks have been primarily concerned with short-term lending, it is likely that the three-year Development Bank, whose shareholders include commercial banks, will play a much greater role, especially where long-term finance is concerned.

Premature

Financial resources are obviously a problem for the State. But the Central Bank is being more than a little coy on this subject. It should think outside that country has more money than it admits to. There is no foreign debt to speak of at present, and reserves of gold and foreign currency are said officially to be \$2.3bn., though they may be nearer \$3bn. This inherent strength is reflected in the movement of the Lebanese pound against the dollar. It is now at the same parity against the dollar as in 1974 and throughout the fighting it held remarkably steady. This strength in turn means that there have been fewer and less significant withdrawals than many had anticipated.

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EGYPT

Banks in transition

BANKS of one kind or another have appeared in Egypt in such profusion in the past two years that the banking system, once simple, has now become considerably more complex. Before the open-door policy the country had four nationally-owned banks each specialising in certain sectors of the economy and two special status banks dealing in foreign currency. At present there are 49 different banks, representative offices and other financial institutions dealing in foreign currency and some undertaking a variety of other activities.

Banking, like the economy as a whole, is in a state of transition. The "banker" in Egypt today can be anything from an entrenched manager in a provincial branch of one of Egypt's big four domestic banks, doggedly following a rigid policy

without scope for initiative, to a young American on friendly social terms with the nation's leaders. But in spite of the opportunities, the new banks have yet to establish fully or clearly their role in Egypt's economy.

One result in the 1975 law which revised banking activities to permit the entry of foreign banks has been that Cairo is probably now "over-banked" (without knowing exactly what scope would be allowed or what profits in prospect). The entire spectrum of foreign bankers flocked to the city. Some moved their regional representative offices to Cairo. Others set up joint ventures, or overseas branches of different kinds. As a result there are currently in Cairo 33 banks or branches of foreign banks, 25 representative offices and 11 offices specialising in finance and investment.

For example, Mr. Wadie Hanna, from the Bank of Nova Scotia, maintains: "Because we are licensed only to deal in foreign currency, we can only be a limited part of the economy. If you are orthodox there is limited scope. This is a conscious decision of the Government which would not want foreign banks to return to the power they once had in Egypt."

The elusive search for a practical solution conditions everything, and though the fight has in no way tempered Lebanese ingenuity or resilience, something which no other country in the Middle East possesses—the fighting equally has to show that a political solution is any nearer.

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First in was Chase Manhattan in a joint venture. It was closely followed by Citibank with an overseas branch for hard currency business. The Chase National Bank, as the venture with the National Bank of Egypt is called, deals both in dollar and Egyptian pound accounts. The dual service became so popular that minimum deposit levels had to be raised to \$5,000 to prevent overcrowding and inefficiency.

**Deposits**

Much of what formerly had been Egypt's black market money was drawn into the banks as merchants were offered a legal way of depositing their dollars. Citibank had to follow suit by lifting minimum deposit requirements. Others, like the National Bank of Abu Dhabi, set a trend by buying premises at unprecedentedly high cost in the no-longer elegant Suleiman Pasba Square in the city's centre, and opened its doors with a non-nonsense \$25,000 minimum deposit requirement.

Although the Government in 1975 and 1976 was so short of hard currency that wealthy foreign creditors had to take their turn as the Central Bank eked out its inadequate supply of dollars, the Egyptian middle classes must have been emptying their mattresses of squirrelled savings to judge by the throughput in the newly available accounts.

Inevitably, in such a period of transition there have been miscalculations. The Bank of Nova Scotia, for example, lined up on the basis of over-optimistic promises and predictions by the Egyptian Government, what it hoped would be an entire zone area of the economy. Free Zone area of the economy. It opened a branch—only to discover that the operation lacked raison d'être, partly because free zone activity was still

confined to paper and plans, and partly because it could find no advantages in being outside the economy. In the summer of 1976 the bank closed its doors for one month to re-open with a flourish in the new guise of a foreign currency branch.

The league leader of the new banks was and still is Chase National. Opening in 1975, it started a second branch in Zamalek, Cairo's smart residential area in 1976 and in June 1977 one in Port Said. Chase National leads the employment field with 235 employees of whom only ten are foreign. The latest development is a move to Alexandria where a "loan production office" will soon be opened. It is hoped this will become Chase National's fourth branch early next year.

What has happened so far proves that a bank can set up, can collect deposits and expand. But it begs the question of what role foreign banks are meant to play in the economy. Manufacturers Hanover Trust is the only Free Zone bank in Egypt. Mr. David Carlson, its manager, classifies his business into three areas: using Cairo as the booking point for the company's term loans for different countries in North Africa, offering banking facilities to Egyptian banks, and free zone businesses. Despite a slow start in Free Zone activity, Mr. Carlson comments: "we don't expect to make our fortune banking for the Free Zones but it is good business."

More directly involved in the economy Cairo Barclays International Bank and Misr Iran Development Bank see their role quite clearly as development banks. They would point to the 1975 revision of the banking law which says that foreign banks should have come in "with the purpose of mobilising credit and savings for investment." The former was able last month to abandon its low profile when it was removed from the "black list" of the Arab Boycott of Israel.

It is a joint venture between Barclays International and Banque du Caire dealing only in foreign currency. However, observers expect Barclays International to search again for some means of starting a local currency operation. Mr. Gavin Green, the manager, admits he would prefer to handle Egyptian currency as well and praises Chase National for having "got it right" by dealing in both hard and local money. So far Mr. Green has concentrated on small projects but is now ready to move into the low million-dollar range. The only other banker concerned with development (a less profitable side of banking) is Dr. Fouad Sultan at Misr Iran. He is firmly following the path of the development banker.

However, most of the new banks appear to be financing

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Michael Tingay



# MIDDLE EAST BANKING AND FINANCE XI

## IRAQ

# Very An unobtrusive role

IRAQ'S UNOBTUSIVE role in the world financial scene belies its financial resources and economic potential. In the first half of this year its foreign exchange reserves, as recorded by the IMF, reached the record level of \$4.5bn, placing it ahead of Libya and Kuwait in particular league table. Its gold holdings, worth \$1.5bn, took the total reserves over the \$6bn mark.

Yet, though the total reserves have risen spectacularly since 1972, when they stood at \$2.8bn, the accumulation of reserves is regarded as a fairly unobtrusive phenomenon by Iraq's Baathist rulers. The high rates to some extent reflect the difficulty in absorbing the greatly increased revenues which have flowed from higher oil prices and the nationalisation of the oil companies, but the priority remains the development of the country. Apart from its oil reserves, which are probably second only to those of Saudi Arabia, Iraq has considerable agricultural potential and a population of about 11m, the eighth of any major Arab oil exporting country.

Iraq pursues a cautious and conservative policy in deploying its foreign assets and emphatically does not regard itself as a surplus country in a manner of Kuwait or Saudi Arabia. It has no long-term foreign investment strategy and keeps the bulk of its reserves in Western money markets, with little if anything in government securities. The currencies are pegged to the dollar, the Deutsche Mark and the Swiss franc, and the bulk of the reserves is held by the Central Bank, which tends to deal with its counterpart other states rather than with commercial organisations. Apart from a portion of its foreign assets which are held for technical reasons, under the control of the Ministry of Petroleum, the State's development programme is handled by the State-owned Rafidain Bank, whose branch outside the Middle East is in London. The bank has a considerable number of correspondents in London and other financial centres and is a force in the dollar market. It also operates through the United Arab Emirates and France, in which it has a 6.3 per cent share and which is heavily involved in the Euro-dollar market.

Part from regarding its own financial involvement in a term financial system as a strong ideological content which prevents it from being seen as a purely financial institution, the bank's activities such as purchasing of western currencies in the Arab world have been intensifying in the Arab world. It sees economic and

financial co-operation as a vital step to achieving political unification.

Iraq has been prominent in the discussions of the Council of Arab Economic Unity and played a part in the establishment of the Arab Monetary Fund, based in Abu Dhabi. Its effort to improve relations with its neighbours in the Gulf since this year took the form of sending a high level delegation to the Arab states whose starting point in discussion was economic co-operation. Iraq has a stake in the CAPEC dry dock facility at Bahrain and is involved in the Arab Petroleum Investment Corporation based in Tripoli. It is naturally a member of the Arab Fund for Economic and Social Development (based in Kuwait) and contributes to Arab facilities to help developing countries by the rise in the oil price. It is believed to have disbursed about \$500m in various forms of aid last year, both bilateral and multilateral.

**Founders**

Though it was not a founder member, Iraq is the fourth largest shareholder in the Arab Investment Company, which was set up in 1974 at the invitation of the Council of Arab Economic Unity to develop the natural resources of Arab states with a view to achieving a commercial return.

Iraq says it is not opposed to non-Arab participation in joint venture projects in the country's limited private sector, but what small foreign investment there is in Iraq (mostly confined to the tourism industry and small-scale manufacturing) comes from the Arab world, predominantly Kuwait and the other Gulf states. But it is claimed that the size of the relatively efficient private sector's own contribution to GNP in Iraq will decline in relative terms partly because of restrictions on the role of the sector itself, but more because of the expansion predicted for the public sector as the State's development programme gets underway. In 1974 the private sector contributed 31 per cent of GDP; this is predicted to fall to 15 per cent by the end of the decade.

Iraq's public sector development programme has been one of the most ambitious since the 1973-74 oil price rises, which prevented it from absorbing all its available revenues. At the same time, the Government to increase its reserves by nearly \$2bn. Between the end of 1975 and the end of 1976 (when they stood at \$4.6bn). There was a further rise in the first two months of 1977.

By early this year the worst manifestations of congestion in the oil sector were disappearing. The congestion at Basrah was lifted, though some observers believe that another "import" of oil facilities are still inadequate. During the autumn and

could be of use to agents and partly to allow Government offices to put contracts out to tender at an orderly pace.

Iraq's oil revenue, which makes up more than 98 per cent of export earnings, rose from \$6.8bn in 1974 to \$8.3bn in 1975, but imports virtually doubled during this period from \$2.3bn to \$4.1bn. This reflected greatly increased development spending and caused a drop in foreign reserves, which had reached \$3.3bn in 1974 but fell to \$2.7bn by the end of 1975. In early 1975 oil revenues fell as the world recession and pricing problems cut output; price cutting enabled revenue to be restored, but the simultaneous downpayments on several projects led the Government to take the precaution of arranging a \$500m facility managed by Lloyds Bank (the facility lapsed on December 1, 1976 after \$200m had been drawn).

**Solution**

With the worst of the bottlenecks solved and a new, more managerial approach to the economy having been defined, Iraq is now ready to embark on a new, if less hectic, phase of development. The investment programme for this year envisages spending \$7.9bn, compared with an allocation of \$8bn in 1976. The largest single portion of this sum—\$3.2bn, is earmarked for industry, but the allocation for agriculture has increased more sharply by 45 per cent, to \$1.3bn, representing the Government's concern that in the past there has been too much emphasis on industrial development while Iraq has become increasingly dependent on imported food. The bare figures, however, reveal considerably less about the economy than appears at first sight, the actual projects which are due to go out to tender, during the year have not been finalised, while the estimates of implementation rates in the past vary widely, from 40 to 70 per cent.

According to Government officials in Baghdad the immediate priority this year is to complete projects set in train last year and to concentrate on improving the infrastructure. Broadly the Government's strategy is to develop industry to use the country's natural resources of oil and gas, while enabling agriculture to increase its low output using principally the irrigated lands of the Tigris and Euphrates river systems. Several large-scale industrial projects are underway, including a \$1bn petrochemicals complex at Basrah being built by West German and U.S. concerns, while the Japanese company Mitsubishi is building a \$570m urea plant at Kbnr al-Zubair and an 800MW power station at Hartha, making use of two credits of \$1bn, each arranged between Japan and Iraq in 1974 and in January this year.

The bulk of the credit has not so far been taken up, despite the existence of projects in which Japan is very interested, because the Government has awarded few contracts for very large-scale projects this year. This is partly because of renewed uncertainty over the

winter the Government staged a series of televised symposia aimed at identifying the mistakes which had been made in economic planning and project management over the past two years and punishing some of those who were considered responsible. The objective was to try to imbue Government officials and plant managers with a greater sense of commercial orientation, and to try to make the planning system work more effectively with better exchange of information. But there was no intention of changing the fundamentals of the system itself. "We are very clear, very stubborn on this," says Mr. Fawz al Kaysi, the Finance Minister.

State's oil revenues in the wake of the pricing split in Opec at Doha last December. Oil output has been running at below the 1976 average, with daily output put at 1.85m b/d recorded in April, and a lower figure of 1.7m b/d in January, the first month after the price rise and the end of the pre-Doha stockpiling by consumers. Government officials are believed to be working up projects which can go out to tender at a later date, and the overall plan which will cover the remaining years of the decade has been approved in outline by the State Development Board, but details have yet to be finalised and it is uncertain how much information will be included when it is finally published, probably within a few months.

Although Iraq's present reserve figures look impressive they are likely to be overshadowed by the size of the ambitious spending programmes which it is almost certain to be embarking on in the next few years. It is therefore imperative, as the Government realises, that the principal hindrances to development should be overcome. One is the very serious shortage of manpower: while there are probably sufficient administrators, there are crippling shortages of professional staff such as engineers, while skilled and semi-skilled workers such as truck drivers are in short supply. Attempts to lure back Iraqi professionals living abroad have had only modest success, while the policy of allowing free immigration from other Arab countries has yet to produce a starting improvement in the manpower situation.

The other constraint on successful development is the somewhat unsatisfactory working of the Baathist Government's adopted economic system. Certainly the regime is now deeply aware that the planning system has so far failed to produce the necessary coordination of inputs essential in effective economic progress; it also knows of the truly lamentable output achieved from many State organisations, especially in agriculture. Whether it will be able to make the system work better in future remains to be seen.

Fortunately, for Iraq, a continued source of revenue is assured: oil production, capacity is due to rise from its present level of 2.5m b/d to about 4m b/d by 1982, and the 981 km pipeline to Dorytol on the Turkish Mediterranean coast, now coming into operation, gives it a new outlet nearer the European market which should be free of political risks, unlike the pipeline to Banias in Syria. Furthermore, Iraq's reserves of oil are estimated at more than \$550bn, which makes it second only to Saudi Arabia among Middle East oil producers. This ensures that Iraq has the commodity it really needs for economic development: time.

James Buxton

## Premature

Financially, Iraq is not a surplus country in a manner of Kuwait or Saudi Arabia. It has no long-term foreign investment strategy and keeps the bulk of its reserves in Western money markets, with little if anything in government securities. The currencies are pegged to the dollar, the Deutsche Mark and the Swiss franc, and the bulk of the reserves is held by the Central Bank, which tends to deal with its counterpart other states rather than with commercial organisations. Apart from a portion of its foreign assets which are held for technical reasons, under the control of the Ministry of Petroleum, the State's development programme is handled by the State-owned Rafidain Bank, whose branch outside the Middle East is in London. The bank has a considerable number of correspondents in London and other financial centres and is a force in the dollar market. It also operates through the United Arab Emirates and France, in which it has a 6.3 per cent share and which is heavily involved in the Euro-dollar market.

Part from regarding its own financial involvement in a term financial system as a strong ideological content which prevents it from being seen as a purely financial institution, the bank's activities such as purchasing of western currencies in the Arab world have been intensifying in the Arab world. It sees economic and

## OMAN

# Economy slows down

OMAN'S ECONOMY has slowed down in the last year, according to a report by the International Monetary Fund. The report says that the country's growth rate fell from 10 per cent in 1975 to 7 per cent in 1976. This was due to a combination of factors, including a decline in oil prices and a reduction in government spending. The IMF also notes that Oman's foreign debt has increased significantly, and that the country's current account has moved into deficit.

**Recession**

At the moment it is difficult to predict the likely scale of the recession facing Oman. The five year development plan for 1976-80 calls for a growth rate of 7 per cent, but this target is being questioned by observers. Oil production, which provides 95 per cent of government revenue, is now forecast to fall significantly further than the plan estimates. Unless more generous grants and soft loans from other Arab states are forthcoming to compensate for the decrease in domestic income, the government will have to be prudent back further than outlined in the plan to avoid a repeat of the 1974 cash flow crisis.

Last year government expenditure increased to RO581m, from RO495m in 1975. The civil recurrent bill going up by over 40 per cent to RO95m, and defence and national security remaining at near the 50 per cent mark with RO288.3m. Recurrent spending, resulting from the massive capital investment of the past few years, is being strictly monitored by the finance authorities and ministries have been requested to raise their disbursements in this area by no more than 5 per cent this year. But it is doubtful how much the defence budget can be reduced, despite the Communist-backed rebel war in the southern region of Dhofar having ended well over 12 months ago.

The Government has to pay for expensive equipment on order—including 12 Jaguar strike aircraft and the Rapier missile system. If the present requirement for armed forces personnel is any indication, recurrent expenditure for defence will not decline.

Meanwhile, the two sectors that together have absorbed the bulk of privately raised finance since development began in 1970 with the accession of Sultan Qaboos—construction and trade—have suffered a decline in activity. The value of non-governmental imports (now classified to exclude defence goods) fell for the first time last year and the property market is rapidly acknowledged to be in dire straits. The number of residential units awaiting accom-

modation in the Muscat area is said to run into three or even four figures. Most banks claim to be making no advances at all for real estate development, some of them having a number of bad debts in their portfolios. However, measurement of funds allocated for this purpose is complicated by the fact that property has been financed by personal loans, overdrafts and also money borrowed ostensibly for trade.


**Moratorium**

One of the effects of the present economic situation is that the Central Bank has imposed a moratorium on admission of more commercial banks to Oman, while encouraging a wider branch network throughout the country. Since the British Bank of the Middle East's monopoly was broken in 1968, the community has grown characteristically fast. To date 20 banks are licensed to operate, of which two have yet to open and six are locally incorporated.

For many years the BBME was the Government's banker. During the two years of its existence, the Central Bank has been gradually taking over this role. It started discounting direct oil sales export bills in August last year, is guaranteeing, negotiating and managing some external loans and more than doubled its loans to government from RO7m in 1974 to almost RO18.5m last year.

Since discipline the Oman Currency Board in April 1975, the Central Bank's track record

Barbara Cassassus




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ALGERIA

Accent on industrial expansion

ALGERIA IS determined to become a significant industrial power of the Arab and Third Worlds. To achieve its ambitions it has strictly limited growth of private consumption and poured money into capital investment. Between 1970 and 1974 investment grew at more than twice the speed of consumption and the country now enjoys one of the highest ratios of capital formation to GDP in the world rising from 49.2 per cent in 1973, to 45.7 per cent in 1974 and an estimated 50.8 per cent last year.

After the increase in the price of oil in the winter of 1973 the aggregate investment for the Second Development Plan (1974-1977) was doubled to 11bn. Algerian dinars (\$28bn.). three times the figure for the First Development Plan. The spending on capital goods was hit by the rise in the cost of imported goods not least those imported from its main trading partner, France.

Both the size of the investment target and the high ratio of capital formation are an indication of the Government's commitment to growth. The country's GDP is officially reckoned to have risen at an annual average rate of nearly 25 per cent in current prices in the past six—or seven years. Expenditure has been in line with the requirements as they have been laid down in the two plans. But, typically of Algeria, the Government allowed an interval of a year before embarking upon the second to give itself a period in which to survey the progress made and difficulties encountered.

For a few years current account surpluses were the order of the day, but in 1975 a budget deficit of ADB6bn. was incurred as a result of a combination of factors—a fall in oil sales because of the recession in the West, higher prices paid for imported capital goods and the resulting need to borrow abroad to bridge the gap.

The decision to press ahead regardless was taken after much thought. Having made it they can be expected to stick to the

policy of maximum development possible. Whilst its level of domestic savings has been extraordinarily high, Algeria has also, of course, been one of the heaviest borrowers on the Euro-markets as well as relying to a lesser degree on funds raised in the Arab world directly and loans from the World Bank.

Algeria has invested in a wide range of capital goods and hopes to be able to meet many of its requirements in the years to come: textiles, fertilisers, tractor and lorries, the list is endless but the constraints are clear: a massive effort has to be made where infrastructure is concerned and water is a major difficulty, especially when one moves inland. This is to some degree hampering efforts to site industry inland, a policy the Government felt was necessary if the country is not to become too heavily weighted on its population and activities centered along a narrow coast band.

Gas

Most important of all developments taking place are those concerning LNG. Some liquefying plants are functioning but attention centres on the major LNG plant at Arzew in Western Algeria due for completion at the end of the year. It is 18 months late because of the change in contractors which took place last year: Chemico was replaced by Bechtel. Cost overruns amount to \$650m., not entirely surprising in view of the highly complex technology involved and the size of the project. A number of other liquefying plants are planned and contracts have been signed by the state oil corporation Sonatrach with a string of U.S. and European buyers. Much of the future of these contracts hangs on the Federal Power Commission (FPC) in Washington.

Some years ago it gave unconditional approval to a contract signed by El Paso to import gas from LNG. But last April it approved a contract signed by another company Trunkline only on conditions which, if

maintained in the second judgement could lead to the cancellation of the other contracts signed with U.S. companies. As they are due to buy most of the gas the country will be producing by 1985, the outcome of the second FPC hearing is eagerly awaited.

However many hurdles it has to encounter, Algeria has struck to the same development priorities which appear very sound: develop natural gas and oil resources and manufacturing industry. The strategy is very capital intensive, thus tight control on external borrowing is required. Recent figures on the country's foreign debt structure suggest it is very sound although some projections of debt service: gas projects unduly late in coming on stream, had cereal crops necessitating large imports, and so on.

Expressions of concern about Algeria's debt have been rife in the past 12 months. Figures released by the Algerian authorities last March, however, suggest that there is much less justification for doubts than pessimists feared. More recent data from the Bank of International Settlements on debts of Less Developed Countries show that the maturity structure of the country's debt was one of the most favourable in the Third World.

The Algerian set of figures released in March projects the debt service ratio peaking in 1982 at 24.9 per cent, compared with 14.6 per cent last year and an estimated 17.8 per cent in 1978 and 1980. It could be reduced if gas exports perform better than expected. Conversely the external cash flow could be vulnerable to a mismatching of expenditure and revenue although last year's successful cutback on the import of non-essential capital goods would seem to indicate the authorities have matters well under control.

The figures for the total contracted external public debt (which is very comprehensive in the case of a country where foreign contracted debt is all for state enterprises and where

the authorities have virtually no recourse to short term borrowings) stood at an estimated \$10.5bn. at the end of 1976. Total disbursed debt was \$6.6bn. which represented 40 per cent of GDP.

Algeria has not contracted any major loans in the Euro-markets in the past year but is now seeking to raise \$100m. for CNAN, the state shipping company. The proceeds of this loan are earmarked for the down-payment for some tankers which CNAN would like to order to add to its existing fleet. Some banks have been reluctant to participate as they feel Algeria should concentrate on completing its LNG plant and not divert scarce foreign borrowing capacity into more ships.

Others feel that it makes sense to order new ships even if the liquefying plants are late. One matter, however, on which all are agreed is the need to help the state oil company Sonatrach meet some of the costs of the \$650m. overrun on LNG. Sonatrach is currently negotiating a loan which is expected to

amount to \$200m. at least. It will be of great interest to see what spread Algeria pays on these loans. In recent months some banks have been wondering whether the country should pay more than the 1 1/2 per cent over the London interbank offered rate it has enjoyed up to now. Algeria has strongly resisted such suggestions and the combined forces of a downward trend in spread in the market and the good economic data which has come out on the country's economy in recent weeks should prove very helpful to the Algerians in holding to the 1 1/2 per cent line. Maturities will also be watched as it is not clear whether five- or seven-year money will be obtained.

A further interesting development is provided by the fact that a Eurodollar bond of \$30m.-\$25m. for the Banque Extérieure d'Algérie is being considered. Indicated maturity would be 5-6 years with a coupon of 9 per cent. This would be the first dollar denominated bond for Algeria. Algeria does pose other prob-

lems. First, there has been the shortage of statistical data available, a shortcoming which the Algerian authorities are conscious of and have recently taken a big effort to remedy. Bankers would like to know more, however, especially concerning the cash flow projections of Sonatrach. It is not easy to overcome the difficulties being experienced quickly as the Government is the first to admit. Shortage of skilled personnel is still acute.

More important is the way the market "seizes up" on Algeria at times. This results from Algeria's insistence that companies tendering for projects in the country must also find the finance. Most of this comes in the form of cheap export loans but many companies still have to turn to their banks which in turn freeze lines of credit. Tenders can take months to be attributed. Meanwhile, funds are earmarked for Algeria which cannot be used as a participation in a medium term credit.

On the domestic front, tighter controls over public

spending at the level of both central and local administration is needed. One of the major tasks President Boumediene has set, the newly appointed Government and the recently elected National Assembly is one of improving the way in which the whole of the public sector is run in an attempt to stamp out duplication and at least some of the rivalries endemic amongst state-owned companies.

Algeria's own banking system is essentially orientated towards the financing of public enterprises. Loans from the Treasury account for most of the supplementary finance not provided for directly by the banks.

State enterprises transfer most of their cash flows directly to the Treasury. An exception is made of their working funds which means state enterprises have little choice if none at all in the way they expand their own finance but the system ensures that the government has very tight control over what is happening.

There are three commercial banks, the Credit Populaire

d'Algérie which specialises in lending to small and medium size enterprises which flourish in some sectors such as text and the hotel business. They may not be all that many but lists from abroad but Algerians travel a lot in their country and the shortage housing means some of the foreigners working in the cities effectively live in haste.

Banque Extérieure d'Alg and Banque Nationale d'Alg enjoy a monopoly in the financing of the agricultural sector and most of the new industry from chemicals through mechanical industries and clothing such as the state-owned company CNAN on the authorities have laid much attention turning to one of the most comprehensive shipping companies in the World. In addition to the three banks the Banque d'Investissement et de Développement et l'Épargne et la Prévoyance which extends loans to the

Francis G

QATAR

Banking made simple

to be modern and sophisticated, as has sometimes happened in other Gulf states.

To date banking in Qatar has been totally unregulated, except insofar as the government has not granted licences for new banks in recent years. The QMA's role has been confined to managing the note issue and investing the foreign currency which backs it (to the tune of rather more than 100 per cent), and collecting statistics—though the material it demands from the banks is of only the most basic sort.

The passive role of the QMA so far has not been inappropriate, because Qatar has the simplest financial system of any Arab Peninsula oil producer. It has no offshore banking, no international lending in its own currency, no money market or discountable securities (some of the foreign banks deal on the Bahrain market through their branches or OBU's there), no capital market in the form of a local bond market or stock exchange, no investment companies or investment banks, and not even a central clearing house—cheques are sent between the banks by messenger.

The lack of complexity in the system is matched by a lack of sophistication on the part of the banks' Qatari customers. There are still in Qatar a fair number of customers who will have nothing to do with the payment of interest—though the more worldly of these may suggest either that they be given a preferential rate on their foreign currency purchases when they go abroad in lieu of their accepting interest, or that if their credit and debit balances are likely to even out over the course of a year interest should be left out of the picture altogether.

Cash

At the same time Qataris remain very cash-minded. The average cash withdrawal from a bank is still about \$200, and withdrawals of QR1m. (\$250,000) are not unheard of—particularly on the part of sheikhs wanting to pay their servants and dependants, or contractors paying their labour force. Qataris also prefer to travel with cash rather than travellers cheques—partly because cash seems more real to them and partly, so bank managers believe, because they cannot be bothered to sign vast numbers of cheques. For this reason in the summer of 1977 the banks are issuing travellers cheques in higher, less troublesome, denominations.

The cash preference further manifests itself in the huge amount of currency in circulation (which even after making allowance for notes held by the banks shows some \$400 outstanding for every man, woman and child—Qatari and non-Qatari—in the state) and in the large number of QR100 (\$25) notes in circulation. At the end of last year these were almost as numerous as QR1 notes and a great deal more numerous than any other denomination. Clearly there are still considerable sums being boarded by Qataris, though it is thought that the amounts must have declined considerably since the old Qatar-Dubai riyal was replaced by the Qatar riyal and the UAE dirham in 1974 and the public was given only a limited time to replace its old notes with new.

Before 1974 the boarding of

notes was seen as one of the major causes of the extraordinarily small total of deposits in the Qatari banking system—only some \$150m. at the end of 1973—which despite the benefits of more than 20 years of oil revenues was equivalent to less than half of the deposits of the smallest of the Kuwaiti banks at that time. Other contributory factors were the "immediately" large sums which were the accession of Shaikh Khalifa were paid to members of the ruling family (to be invested abroad or spent) and the imbalance in interest rates between Qatar and Dubai, which led to massive physical transfers of Qatari Dubai riyal notes. In fact this movement took place on such a scale that the old Joint Currency Board used to find itself issuing most of its notes in Qatar but withdrawing almost all in Dubai.

At one stage during 1974 the maintenance of such big Qatari deposits outside the state almost caused a minor liquidity crisis, as demand for credit rose with the private sector's anticipation of higher government spending in the wake of the oil price rises. But since then the situation has changed. The improvement in Qatar interest rates (now running at up to 6 1/2 per cent for time deposits) relative to world levels, and the property boom which began in the middle of 1975 have together induced depositors to repatriate their funds. Also as from mid-1975, when some of the new big projects started to be implemented, funds have come into the banking system through the government making 10 to 20 per cent advance payments to contractors.

The effect of these developments has been to increase the Qatari deposits in the banking system to some \$600m. (of which only a fraction were government deposits) at the end of last year, and to increase the total assets of the banks at the same time to roughly \$1bn. (excluding contra accounts). Meanwhile the banks' foreign assets have grown to \$375m. It is true that in the absence of there being any money market or discountable instruments within Qatar the banks have to keep much of their liquidity outside the state, but for the most part the foreign assets represent an unyieldable surplus.

The increase in the banks' assets, however, has not been accompanied by any significant expansion in the numbers of banks in the state over the past four years—although the government has recently allowed the establishment of a second Qatari bank, the Commercial Bank of Qatar. The other eleven banks in the state are the Qatar National Bank (which handles all of the government's accounts and probably deals with some 30 or 40 per cent of all banking business done in the state), the Chartered Bank and the British Bank of the Middle East (which are the second and third largest institutions operating), Grindlays, Citibank, Arab Bank, United Bank of Pakistan, Bank of Oman, Al Mashreq, Paribas, and Bank Saderat of Iran. All of the foreign banks are restricted to two branches each.

Apart from being the government's bank and the biggest bank in the state, the Qatar National Bank has been notable as the institution which provided most of the bank lending behind the 1975-76 property boom—until it was advised by the government in the autumn of last year that it should not make further advances for land purchases. But QNB lending for construction purposes continues. With the approval of a special board, borrowers seeking funds for building may get cheap loans (at about 4 per

cent) from QNB. The reasoning of the government (which has a big shareholding in the bank) is that if QNB is holding large sums of government cash on current account, it can afford to make cheap loans for special purposes.

For the most part the foreign banks in Qatar tend to finance imports, though in the past year or so they have found themselves called upon to advance increasing sums to finance the day to day operating requirements of international contractors, and to issue bid bonds and performance bonds on behalf of these companies. Even so none of the banks in Qatar could be called aggressive lenders.

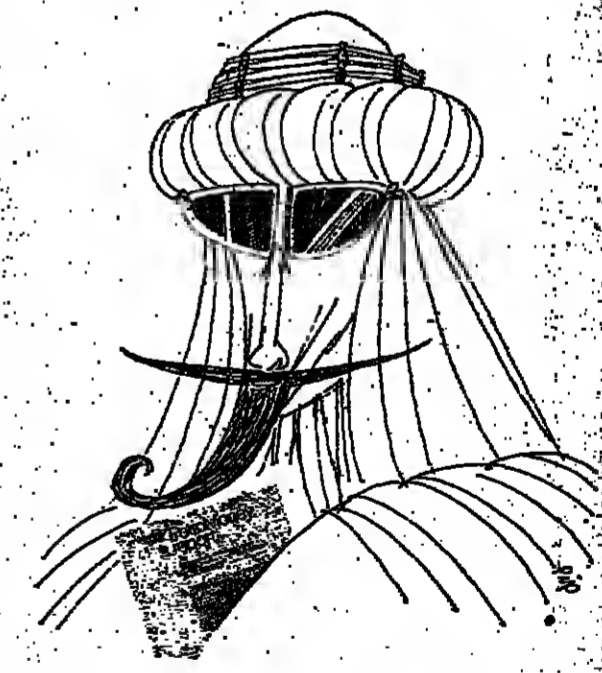
Exception

The one exception to the general conservatism and lack of sophistication among Qatari financial institutions, is the Qatar National Insurance Company. The company started to grow shortly after the accession of Shaikh Khalifa in 1972, when the government decided that it should receive all state insurance business (just as the QNB handles all government accounts), and it is now rated on a par in the Arabian Peninsula with the three leading Kuwait insurance companies—Kuwait Insurance, Al Ahleia Insurance and Gulf Insurance.

With the exception of the oil

industry, the Gulf Hotel and biggest construction contract all risks in Qatar now fall within the scope of the Qatar National Insurance Company's reinsurance treaties—a testimony to the company's assessors, whose reputation has given the company a bigger automatic reinsurance facilities than the others in the field. For work which falls of the scope of the reinsurers' treaties, QNI is now sharing risks with other Gulf and Eastern insurers—notably Kuwait and Egypt—rather than resorting automatically to QNB as it used to do in the past. The advantage, it finds, is business introduced to Arab companies will be re-rated, whereas with the Lebanese market the flow of business is very much on a way.

Consequently, as the core of the insurance market in the Gulf expands, the role of QNI is being reduced mainly by the reinsurers. If and when Saudi introduce an insurance law—one is now being discussed by the government, and Islamic jurists, who believe insurance represents an attempt to defy the will of God—will inevitably be a further sign of expansion of business in the region and the Arabian Peninsula insurance market will come into its own.



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FINANCIAL TIMES SURVEYS

on

THE MIDDLE EAST

The Financial Times is preparing to publish two important surveys on different aspects of the Middle East in the next three months. The first to appear on August 1 1977, will be on MIDDLE EAST CONSTRUCTION. The editorial coverage of the survey will reflect in full the involvement of almost every international construction company in what is currently the largest single construction area in the world. This will be followed, on September 26 1977 by a survey on ARAB CO-OPERATION AND DEVELOPMENT. It, too, will reflect fully the significance to the rest of the world of the concept of unity in the Arab world and co-operation between its constituent nations. The main headings of the proposed editorial synopses are set out below:

MIDDLE EAST CONSTRUCTION

AUGUST 1 1977

**INTRODUCTION** The regional market for the international construction industry: the overall prospects.

**CONTRACTING** The intensity of international competition: joint ventures and partnerships.

**COMPETITION** Fields of high technology where reliance on western expertise is greatest.

**CONTRACT TERMS** Variations from one country to another: adherence to fixed price deals.

**INSURANCE** Role of the insurance market: cover given by governments to national companies.

**INDUSTRIALISATION** Plans for steel production, aluminium smelting and other mineral processing.

**PROCESS PLANT** Investment under implementation and planned in oil refining, petrochemicals and steel.

**JOINT VENTURES** The scale of projects which can be beyond the capability of even big contractors.

**MANPOWER** Competition for imported labour and the consequent inflation of costs.

**TRANSPORTATION** Measures taken to alleviate port congestion: overland transport and air freight.

**UK COMPANIES** Performance of UK construction companies: successes and failures.

**UK GOVT. SUPPORT** The Construction Exports Advisory Board; National Enterprise Board; Overseas Policy Group, ECGD.

**SOUTH KOREA** Reasons for South Korea's dramatic success in winning major contracts.

Separate articles will be devoted to the role of consultants and of architects and to the emerging market for system builders. In addition, individual articles will examine the construction industries, development trends and economic prospects in:

- IRAN SAUDI ARABIA KUWAIT
- UNITED ARAB EMIRATES IRAQ BAHRAIN
- QATAR OMAN JORDAN LEBANON
- EGYPT LIBYA

ARAB CO-OPERATION AND DEVELOPMENT

SEPTEMBER 26 1977

**INTRODUCTION** The measure of unity achieved since the October War: co-ordination of policy towards Africa and Europe: differences and discords among Arab nations.

**ARAB LEAGUE** Structure of the League: political aspects of its work: development of its various agencies: their work in furthering economic co-operation.

**OIL WEALTH** The predominance of the Arab producers within OPEC: the split price decision at Doha and its effect on output levels: development of OAPEC.

**OAPEC** The origins and purposes of OAPEC: progress of joint projects undertaken so far: the need for greater co-ordination in petrochemicals.

**AID** Sums committed and disbursed by Arab oil producers: the Arab Fund for Economic and Social Development: the African Development Bank and the Arab Bank for Economic Development in Africa.

**ARAB MONETARY FUND:** The use of oil producers' surpluses to finance balance of payments deficits of other Arab countries: the plan to create "the Arab Dollar".

**ARAB INVESTMENT** The activities of regionally orientated institutions in developing the Arab world: direct investment in industrial and agricultural projects in other countries.

**INTER-ARAB TRADE** Formation of an Arab Common Market and the creation of a customs union: analysis of inter-Arab trade in industrial and agricultural commodities.

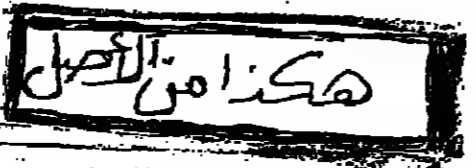
**TELECOMMUNICATIONS** Uneven qualities of the facilities within the Arab world: the Arab Telecommunications Union and its work in improving links between countries: plans for future collaboration.

Separate articles will be devoted to an examination of developments in maritime collaboration, the Euro-Arab dialogue and Arab relations with Africa.

For full details of the proposed editorial synopses of these two surveys and of the advertising rates, contact:  
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 01-248 8000 extension 515 Telex 885033

FINANCIAL TIMES  
 EUROPE'S BUSINESS NEWSPAPER

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SOCIETY TO-DAY

# Grunwick and the constitution



The "law" loses a little of its traditional dignity at the Grunwick factory gate (left): Yesterday, Mr. George Ward, managing director of Grunwick, arriving at the High Court (right) with Mr. John Gorst, MP.

Again, the law on picketing is deliberately vague, partly because few people believe that a serious change could be manoeuvred through Parliament, and partly because it is thought that decisions on keeping the peace are tactical and best left to the police on the spot. The rules governing ACAS and trade union recognition are being tested in the present case before the High Court; in other actions ACAS has more or less been left to make up its rules as it goes along. The arguments about union recognition, and the closed shop, could in theory be settled by law, if we were accustomed to doing things in that manner, and if the law could be enforced — but the British constitution lacks that degree of certainty.

To analyse the affair in this way is not to duck the hard, immediate issues. The right to join a trade union is surely part of our heritage; the right not to join should be. The right of pickets to persuade workers, peacefully, to join their cause, is not disputed by many people; the right to decline to hear the pickets' case — to say, "no thanks, I do not want you to get in the bus" — is surely of equivalent value. The extent to which any or all of these rights have been challenged by the events at Grunwick will be better known when we have a full and detailed account of precisely what happened (so much is still in dispute), but even then the fatal flaw in our constitution — if the collection of law precedent, understandings, and myths we are ruled by can be so called — will remain. The urgent need is to look for something better.

Vertical text on the left margin, partially cut off and illegible.

THE Grunwick dispute, which could fade away when August comes, or rock the Government (the Devil alone known which), is peculiarly British. It is the natural consequence of a national reluctance to adopt a written constitution, at a time when class conflict is no longer easy to contain by means of unwritten codes that have become anachronistic. A great many issues have been left unsettled, in the belief that good sense and good will will in the end prevail; what does not seem to have been perceived is that this complacent attitude is no longer sufficient in a country in which deference and obedience have ceased to be dominating characteristics of the governed.

**Logical**  
Mr. Skinner is only partly correct: it is arguable that the immediate reason for the appointment of the Court of Inquiry was a run of a week's television news films showing struggles between the police and the pickets, with injured policemen predominating — and the Government's alarm at the political consequences mounting with every day that passed.

Whatever may be said about this statement, it cannot be described as an acceptance that the existing processes of law and peaceful private association under the law are in themselves sufficient. This must be recognised: many people in the trade unions and the Labour Party, including a great number who disagree with Mr. Skinner about almost everything else, will follow his logic, at least three-quarters of the way on this one. The response of a working democracy to such an attitude might be to change the law, or it might be to enforce it — but that is not our British way. Judge has worked in the past, and fudge is what seems to have been called for now. It has its

method: you call the parties to a Minister's office and knock their heads together and they are so flattered by the presence of a member of the Government that they accept a carefully contrived compromise, or the less powerful of the combatants gives in, with as much face saved on everyone's part as possible.

**Speedy**  
He expressed a desire for the counsel involved to work as quickly as possible, and indicated that Lord Justice Scarman will more or less mark time this week, while the ACAS case proceeds, so that when he gets to the meat of his general inquiry he can "follow in our legally barred from 'blacklisting'." On the Scarman side of the Board, everyone associated with the proceedings anticipates a speedy hearing, and a quick report.

## Letters to the Editor

### Anomalies in an Act

From Mr. J. Norfolk  
Sir—Two years elapsed before conflicting Lands Tribunal decisions concerning the Leasehold Reform Act, 1967, made an amendment essential. It was published as Section 82 of the Housing Act, 1969, and amended the concept known as the tenants' bid.

### Brandy need not contain grapes

From the Managing Director, L.R. Holdings and Co.  
Sir—in the supplement of June 228 under the heading "Brandy" by Pamela Judge, certain factual statements have been published which we believe to be in error, and which are open to doubt.

### A new fiscal yardstick

From the Director, National Institute of Economic and Social Research  
Sir—the title of your leading article (June 30), "A new fiscal yardstick," is puzzling. The concept of "full employment" or "constant employment" budget balance has been a standard tool of public finance analysis for a great many years.

### Management education

From the Director, Dunchurch Industrial Staff College  
Sir—Michael Dixon (June 27) suggests that management education in the U.K. has failed to have the impact properly to be expected of it because working managers tend to seek cure-alls.

### Discipline at sea

From Mr. J. McConville  
Sir—While it was refreshing to see an appraisal of the new approach by the industry to discipline at sea on your Management Page (July 1), it is disappointing to find that here is apparently still an implicit acceptance of the assumption that quasi-military discipline is essential at sea, particularly for ratings.

### Politics and accountability

From Mr. H. Marsh  
Sir—it looks as if a sizeable portion, if not a majority, of the Institute of Chartered Accountants will vote against mandatory introduction of current cost accounting.

### Freedom of the individual

From Mr. G. Townsend  
Sir—I have become increasingly depressed as I have read about the anticipated outcome of the Institute of Chartered Accountants' ballot on current cost accounting. This depression

### Source of directors

From Mr. C. Jackson  
Sir—in his reply of June 19 to my letter of June 9, Mr. Hutchinson speaking for the Institute of Directors, favours allowing small companies to fall as a result of market forces.

### Profession for pedantic minds

From Mr. G. Townsend  
Sir—I have become increasingly depressed as I have read about the anticipated outcome of the Institute of Chartered Accountants' ballot on current cost accounting. This depression

### Where in the world will you find Standard Chartered?

In Bahrain, naturally. And with four branches of our own, more than any other British bank. Years ago, we were the first recognised bank here, and our direct links with each of our other 1,500 branches around the world still make us the most efficient overseas bank for your business.

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BIDS AND DEALS

# Babcock buys near 20% stake in Butterfield

The possibility of a full-scale take-over bid being mounted for Butterfield-Harvey by Babcock and Wilcox left the B-H share price 14p higher at 55p yesterday. The excitement followed the news that Babcock had bought a stake of just under 20 per cent from Sime Darby London, a subsidiary of Far Eastern traders Sime Darby, at 45p per share. The price that values the deal at £129m, and puts a tag of £6.47m on B-H as a whole. However, after yesterday's upsurge the market capitalisation of B-H was just short of £8m.

The attraction for Babcock, which recently failed in a takeover bid for Loughborough crane manufacturers Herbert Morris but which came away with a profit on its Morris shares of over £2m, as consolation, is that the activities of Butterfield-Harvey are seen as complementary to its construction equipment group. In particular, the municipal vehicles interests of B-H (the Shalvoka and Drewry subsidiary) are reckoned to fit—at least in terms of customers—with Babcock's own interests in the manufacture of pavers, sweepers and dumpers.

While even a full-scale bid could not be seen as a major in terms of size, Babcock's turnover of £330m in 1976 compares with £28m in B-H's last financial year, with respective pre-tax profits of £24m against £1.8m—the move is reckoned by Babcock to be totally consistent with its acquisition policy. Its management said that it wants to expand into North America but that does not preclude U.K. acquisitions.

There has been a steady and deliberate move by Babcock from the power generation industry since 1968; the last accounts pointed out that the group's involvement in this area was now only 15 per cent of the whole business.

Mr. Tom Carline, managing director of Babcock and Wilcox, said yesterday that the management style of Butterfield fits in very well without any aid as a subsidiary it could expect a great deal of autonomy.

The Butterfield-Harvey Board, which was informed of Babcock's purchase yesterday morning for the first time, was still in talks with Samuel Montagu, its financial advisers yesterday and is now awaiting formal invitation to merger talks from Lazarus, Babcock's advisers. It is far too early to predict the outcome of any talks, though it seems unlikely that Babcock will run into the same sort of hostile opposition it encountered from Herbert Morris.

offer, make 10,758,351 shares (94.33 per cent).

Acceptance of the offer for the 84 per cent. Convertible Loan stock amount to £83,059. Prior to the offer Argo held £100,500.

## Leisure Caravans U.S. buy

Leisure Caravan Parks of Hemel Hempstead has branched out into the U.S. with a \$4.7m (£2.74m.) purchase of the Lake Arrowhead Holiday Caravan Park in South Carolina.

LCP, which owns 13 sites in the U.K. and which last year earned record pre-tax profits of £1.6m, is acquiring a 140-acre site situated on the ocean front at Myrtle Beach, South Carolina, with accommodation for some 1,200 caravans.

The vendor is a subsidiary of Liberty Properties, a subsidiary of The Liberty Corporation, a South Carolina insurance company.

LCP will pay \$1m, now, interest of \$145,000 on the outstanding balance until December 31, 1977, at 8 per cent, and eight equal instalments of \$615,000 until December 31, 1984.

The downpayment plus \$250,000 working capital has been financed by five-year Euro-dollar borrowing from Barclays Merchant Bank at U.S. dollar LIBOR rates.

LCP has studied the U.S. leisure park industry since 1973 and has had its eye on Lake Arrowhead for most of this time. However, as it is being acquired mid-way through the 1977 holiday season, the Board warns that the new purchase will not make a contribution to profits for the year to February 28, 1978.

## ISLE OF MAN INVESTMENT

Douglas Estates has acquired all the Ordinary stock in Isle of Man Associated Investment and consequently the listing on the Stock Exchange has ceased.

The Board is conscious of the small market and capitalisation of Man Associated Investment and very little trading takes place. It has requested a similar cessation of this listing. Therefore, listing will cease with effect from July 31, but a facility for dealing on the Stock Exchange in the stock will continue.

## WILLIAMS HUDSON

Acceptances received by Argo Group in respect of its bid for Williams Hudson Group amount to 3,123,447 shares. During the offer period, Argo acquired in the market a total of 1,842,843 shares, which, together with the 3,772,061 shares held prior to the

acquired a leasehold interest (which forms part of the Queen Hotel) of the first and second floors of numbers 321 and 322 High Street, Lincoln, a building adjoining the Queen Hotel, for a term of 28 years at a rental of £1,500 per annum (subject to seven-yearly reviews).

A professional valuation carried out by De Groot Colles, as at May 3, 1977, values the Queen Hotel and the above leasehold interest, including fixtures and fittings, at about £80,000.

The acquisition is in accordance with the Board's policy of expanding the restaurant and hotel interests of Epicure as and when suitable opportunities arise.

## RACAL BUYS UP HELLERMAN

The fast growing Racal Electronics group, through its Racal-Zonal specialist tapes subsidiary, has bought the loss-making Hellerman Cassettes part of Bowthorpe Holdings for £825,000.

Hellerman Cassettes plunged into losses of £369,000 in 1975 and last year lost a further £306,000 after charging £157,000 of reorganisation costs. Accordingly to Bowthorpe, profitability was restored towards the end of last year after the company moved into the market for blank tape cassettes.

The two companies already have reciprocal trading relationships with Racal buying a considerable number of HC's elastic cassette cases and more recently in turn supplying HC with tape for their blank cassettes.

The acquisition of HC's injection moulding experience will provide Racal-Zonal with a fully integrated cassette manufacturing capability so bringing it into line with the leading companies in the field.

In addition, Racal-Zonal aims to penetrate the growing industrial and professional markets for video, film processing and sound recording tape in cassette and other convenient forms.

Bowthorpe, for its part, has increasingly concentrated lately on industrial electronic components so reducing the original compatibility of its cassettes company.

## S. PEARSON

Resulting from recent transactions, Cowdray Trust now holds 5,907,568 Ordinary shares in S. Pearson and Son, the Dickinson Trust holds 7,774,834, and both trusts jointly hold 3,725,144.

## PATANI PARA

In connection with Consolidated Plantations offer for Patani Para Plantations, the position at the close of the offer on July 1 was that acceptances had been received for 565,313 (61.47 per cent.) shares. The amount held prior to the offer was 261,000 (28.37 per cent.) shares.

# Hestair bid for Root Harvesters

Hestair, which made an unsuccessful £8.7m bid for Spear Jackson in January, has snapped up 39 per cent of Root Harvesters at 50p a share, making a general cash bid in offer valuing the company £1.53m.

The shares were acquired by J. F. Nash Securities, which holds a 27 per cent stake and J. Jorehaut Holdings with 10 per cent.

The offer, which is conditional on Hestair getting more than 50 per cent of the votes, has so far brought the recommendation of the Root Harvesters Board, together with names families holding about 13 per cent of the equity. But Hestair says that discussions are in place on a suitable share to be recommended by directors.

Last night ahead of the Root Harvesters share closed up higher at 42p, current offer price is the big that the sharps have been 1972.

In 1976, Root Harvesters reported pre-tax profits of £310,000 on sales of £4.1m. Net asset value on December 31 was £1.1m, deferred tax account stood at £450,000.

Hestair believes that there is substantial industrial value in the merger of Root Harvesters potato harvesters and Hestair's seed drilling and other counter season Root's products.

Hestair also stresses that acquisition would be in line with its policy of developing a U.K. agricultural engine group in the face of a rising of agricultural machinery in Hill Samuel is acting for Hestair.

**comment**

Hestair's last bid attempt in failure an isom embarras everything has been done to make this one go some. Hestair obtained an option to acquire shares, then it went to board of Root Harvesters to friendly relations were po and only then did it take plunge. The bid seems odd go through. The industrial is there without any doubt the offer consists in the first instance of cash so it is impossible to be slung at the of Hestair's paper as happens the bid for Spear and J. That only leaves the price value Root at £1.53m, on of 10, which is a reaso premium over the earlier and over other agricul machinery manufacturers of the 39 per cent stake already it could well be enough.

## TRAFALGAR HOUSE

Trafalgar House Investments has issued £24.8m of 7 per cent unsecured debenture stock satisfaction of the final part of the consideration for acquisition of housebuilding acquired in 1974.

Under the arrangements the vendors, Trafalgar House, purchased and cancelled £7m stock out of the £24.8m referred to at the issue price of £3.50 per cent.



# Amro Bank now in London

The Amsterdam-Rotterdam Bank NV (Amro), a leading bank in Holland, now has an office in London.

It has been supplying banking, business and marketing services to a number of leading British companies for quite some time now.

Their needs have increased, and the time is right for Amro to provide on-the-spot facilities.

At the same time, many more companies are faced with the need for skilful and expert banking services, advice and guidance in order to take advantage of expanding international trade.

Amro is involved in every aspect of the Dutch economy, and has been at the centre of the development of Holland's financial and economic ties with other EEC countries.

It is also a member of European Banks International (EBIC), one of the world's most active banking groups.

So it is especially well qualified to help.

In London, Amro Bank offers the following services:

- Current and deposit accounts.
- Commercial overdrafts.
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- Collections, documentary credits, export finance.
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# Sheepbridge Engineering Ltd.

## Another year of record results

Group profits up 32%  
Earnings per share up 31%  
Exports up 30%

The Annual General Meeting of Sheepbridge Engineering Limited will be held on 28th July in London.

The following is an extract from the statement by The Rt Hon. Lord Aberconway, the Chairman, circulated with the report and accounts.

The Consolidated Profit before Taxation for the year to 31st March last was £5,277,000, an improvement of some 32% over that of the previous year. The return on the capital employed at the year end was 21.7% compared with 19.1% in 1976, higher for the third year in succession.

Earnings per share increased from 6.7p to 8.8p.

These results, our best ever, can be attributed partly to our policy over the years of investing consistently in new plant and machinery regardless of the general economic climate, but they owe even more to the skill and dedication of the executives and management. To them and to employees at all levels who have contributed towards making 1977 another successful year, we give our thanks. In doing so, we believe that shareholders will feel our efforts in recent years have met with success.

**Dividend Recommendation**

The directors recommend the payment on 2nd August 1977, of a final dividend of 2.1756p per share making, with the interim dividend already paid, a total of 3.414p. The total is covered 2.6 times and represents an increase of 10 per cent. It is the maximum permitted under present Government policy. The directors further recommend that, if the Chancellor reduces the rate of income tax, and consequently of ACT (as he said he might) the extra amount which the Company will be permitted to add to the final dividend will be paid as a supplement and will, to save postage, be paid at the same time as the interim dividend for the current year which is normally paid early in January. The extra dividend will still count as part of the distribution for 1976/77 for the purpose of assessing the base upon which permitted increases in dividend in subsequent years are calculated.

There is clearly a long way to go before definitive proposals for inflation accounting are accepted. Meanwhile we see no purpose in presenting figures adjusted for inflation, which could be misleading in future comparison.

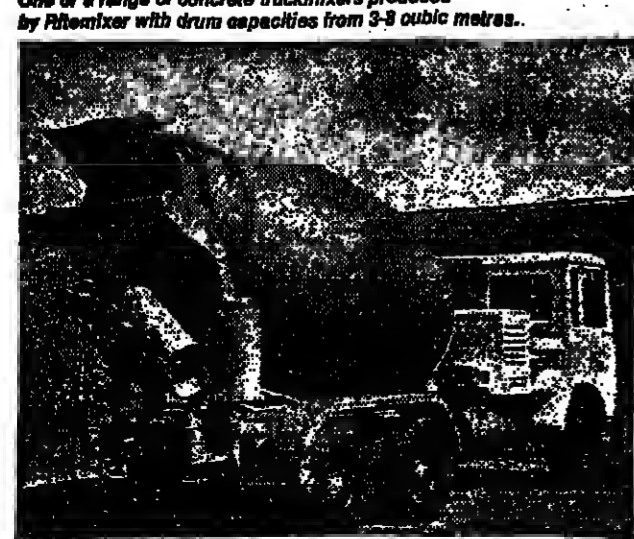
**Strong Overseas Order Book**

The value of direct export despatches was 30% higher than in the previous year and our order book for overseas markets is strong. Indirect exports, mainly in the form of components supplied to U.K. manufacturers for incorporation in products which they sell abroad, continued to account for a big proportion of the remaining sales.

The depreciation in the value of the pound has helped in export markets, but overseas buyers are interested not only in price, but also in quality and in the ability of the supplier to keep delivery promises. We are in no way complacent, but we believe that in these respects our record is good.



Pistons, piston rings and gudgeon pins manufactured by Automotive Engineering and Light Production.



One of a range of concrete truckmixers produced by Ribblesdale with drum capacities from 9-9 cubic metres.



Typical cast-iron cylinder liners manufactured by Sheepbridge Stokes. Used in diesel engines for marine, stationary and commercial vehicle applications.

**Board of Directors**

Mr. Tom Brown is not seeking re-election to the Board. He joined Sheepbridge Engineering Ltd. in 1949, was Managing Director from 1952 to 1973 and has been Deputy Chairman since 1967. During all this period the business expanded greatly in size and range and grew in strength and expertise. It gained a wide reputation as a manufacturer of reliable, high quality engineering products. The success of the Company in those years is a testimony to his energy and his ability. In

Summary of Results	1976/7 £000	1975/6 £000
Sales to external customers	51,597	44,885
Group profit before taxation	5,277	4,003
Taxation	2,740	2,072
Profit after taxation	2,537	1,931
Dividends	966	878
Earnings per share	8.8p	6.7p
Dividend Cover (times)	2.6	2.1



Twinax hydraulic disc brake fitted to a marine propulsion cycloptic gear.

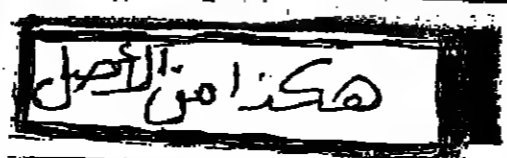
particular he chose in Mr. Gunner an excellent successor to himself. I am sure that I speak for all our shareholders in expressing sincere gratitude to Mr. Brown and wishing him a happy retirement.

Lord Sandon joined the Board on 31st March 1977 and Dr. G. H. Hough two months later. Our Company is fortunate to have the services as directors of two men each eminent in his sphere. Lord Sandon in banking and finance, Dr. Hough in a wide field of engineering. Each will make a notable contribution to our affairs in the years to come.

**Prospects**

I repeat what I said earlier, and it is worth repeating. Our thanks, and those of shareholders, are due to all who have contributed to a year which shareholders may well think to be one of continued progress. As to the current year, orders on hand are higher than a year ago and we look forward with confidence to maintaining the Company's advance.

Sheepbridge Engineering Limited  
Chesterfield, Derbyshire, England



MINING NEWS

Lang Hancock looks to the Middle East

BY PAUL CHEESRIGHT

MR. LANG HANCOCK, the Western Australian iron ore magnate, is in the middle of an overseas tour soliciting support for bringing the huge Marandoo deposit in the Pilbara to production on a small scale without waiting for an upturn in the Japanese steel industry.

The essence of Mr. Hancock's plan, as he explained it in London yesterday, is to sell 6m. tonnes of iron ore a year to planned and committed steel plants in the Middle East which will use the direct reduction process.

Mr. Hancock's plan is to bring 3m. tons of iron ore annually through the new port of Richards Bay in Natal.

The British company is to acquire a 50 per cent. interest in coal reserves belonging to the Kanymyn Investments farming concern for 8m. £2.87m. over the next six months BP and Kanymyn will study the feasibility of exploiting the coal reserves which have been expanded into a substantial block by the addition of some ground already controlled by BP.

Of the total 837m. anticipated for investment, BP has committed about £200m. for coal, and appears to envisage development of three collieries. The first of these, Ermelo Mines, is a joint venture with Total and Trans-Natal General Mining's coal arm.

The venture with Kanymyn, centred in the Middelburg area of the Transvaal, will be the next development. It is expected to start an open-pit operation and BP has already had preliminary discussions with McAlpinies, which has an existing colliery project with Trans-Natal, as to the optimum methods of mining.

Utah runs into union row

WORK HAS halted at the \$A250m. £187.1m. Norwich Park coal mine in Queensland, following a row between the majority iron-ore developer, Utah Developmental, and trades unions.

S. AFRICA COAL PLANS OF BP

AFTER having announced plans last year to spend \$A73m. cost of replacing the Spanish

crews would make Norwich Park coal uncompetitive. Our Sydney correspondent reports that the unions have been angered by the decision to stop construction work and that others might be drawn into the dispute.

Seltrust smiles

FOLLOWING the better than expected 72 per cent. increase in profit for the year to March 31, 1977, Seltrust is clearly set for another satisfactory year.

By the end of 1978 the long-life Agnew nickel deposit in Western Australia; the expansion of the K113 North Sea gas discovery; and the Unisel gold mine in South Africa should be in production. Also there may well be plans to develop the Detour base-metal find in Canada.

Uneasy peace at Mt. Newman

COMPANY OFFICIALS of Mount Newman Mining, the big Western Australian iron-ore complex which is owned by Broken Hill Proprietary, CSR, Amstar, Selection Trust, C. Itoh and Mitsui, maintain that they have broken the 22-day strike that has paralysed the company's estimated \$A3m. (£2.64m.) per day.

WARREN IN NEW GUINEA

WARREN Plantations and the Government of New Guinea announce that Warren and Sipel of Antwerp have been awarded the management contract for the further development of the estate of Hargreaves Palm Pty. on the island of New Britain.

£52m. Beecham spending plans

CAPITAL expenditure commitments and authorisations of Beecham Group amount to £52m. (£17.8m.) according to the directors' report.

This increased expenditure programme includes a major expansion of the group's pharmaceutical research facilities in the U.K. at a cost of more than £10m. over the next three years, additional investment in U.K. pharmaceutical manufacturing facilities, and the building of a new pharmaceutical factory at a cost of £13m. It also includes the first stage of a plan to spend £5m. in the U.K. on modernising and raising the capacity of the Group's food and drink production and distribution facilities.

Capital & County Laundries

Turnover of Capital and County Laundries for the 27 weeks in April 2, 1977, was £1,025m. compared with £989m. for the previous 26 weeks, and taxable profit improved from £23,342 to £43,222. Tax takes £23,516 against 111,722.

EQUITY & LAW LIFTS BONUS

The Equity and Law Life Assurance Society has improved its rates of bonus on individual life contracts as from July 1. The interim rate of reversionary bonus on whole life and endowment assurances has been lifted by 0.25 per cent. to £4.00 per cent. per annum of the sum assured and

attached bonuses. Terminal bonuses payable on death or maturity claims has been increased from 10 per cent. to 15 per cent. of attaching bonuses.

SHARE STAKES

British Election Traction: Eagle Star Group has acquired 40,000 BRT 5 per cent. non-cumulative Preference Ordinary shares and now hold 100,000 shares, 7.54 per cent.

Highams chief not pessimistic

Despite the adverse effect on market liquidity of the pressure on disposable incomes, the directors of Highams, the Lancashire textile group, will do all they can to continue the trend of improving profit, Mr. W. M. Highams, the chairman, says. He adds that he is not pessimistic.

Competition faced during the past year, he adds.

With Lawson Phillips ceasing to exist as a trading entity, its production facilities have been taken over by Skol, which had another very successful year, bearing itself to adapting speedily to the ever-changing fashion markets.

As reported on June 15, group pre-tax profit rose from £70,291 to a record £222,077 for the year to April 2, 1977. The net dividend total is lifted from 2.5p to a maximum permitted 2.75p a share.

So far as is known, Courtaulds holds 24.59 per cent. of the issued share capital, and Gerald Phillips 9.26 per cent.

The statement on source and application of funds shows that the net inflow on trading during the year rose from £406,000 to £483,000 and the net outflow on financing from £206,000 to £434,000. The decrease in the bank overdraft improved from £13,000 to £59,000.

MONEY MARKET Small assistance

Bank of England Minimum Lending Rate 8 per cent. (since May 12, 1977) Day-to-day credit was in slightly short supply in the London money market yesterday, but conditions were generally not as difficult as first expected.

In order to relieve a slight overall shortage the authorities bought a small amount of Treasury bills from the houses.

Table with columns: Sterling, Local Authorities, Local Authorities, Finance House, Company Deposits, Discount, Treasury, Billings, Five Trade Bills.

increase in the note circulation. These were almost balanced however by the very large surplus balances carried forward by the banks and some maturing Treasury bills held by the count houses.

Discount houses paid 71-71 per cent. for secured call loans in the early part, and closing balances were taken at 4-5 per cent.

In the inter-bank market overnight loans commanded 71-71 per cent. at the start, and touched 71-71 per cent. in places, before easing sharply towards the close to 4-5 per cent.

Rates in the table below are nominal in some cases.

Highams chief not pessimistic

Despite the adverse effect on market liquidity of the pressure on disposable incomes, the directors of Highams, the Lancashire textile group, will do all they can to continue the trend of improving profit, Mr. W. M. Highams, the chairman, says. He adds that he is not pessimistic.

In spite of considerably increased raw material costs and the general inflationary conditions, the company has been able to contain the additional demands on working capital, Mr. Highams says.

The increased profit in the water in what has been one of the most difficult years of trading it has experienced.

competition faced during the past year, he adds.

The spinning activities all had a difficult year with lower contributions to group profit, but some reorganisation and capital expenditure are now being implemented, members are told.

In the clothing division, the steps taken to reorganise Standards have proved very successful, and the company has made a significant move forward in production methods and turnover, Mr. Highams adds. This has resulted in a greater contribution to group results.

The results from Kamella are disappointing, providing only a small contribution.

Men's suits have not had a particularly good year, but Ladies' Bliss has held its head well above the water in what has been one of the most difficult years of trading it has experienced.

A year of great significance for our Company

Points from the annual statement to shareholders of Selection Trust Limited by the Chairman, Mr A. Chester Beatty:

I regard the past year as one of great significance for our Company. The highly satisfactory financial results and the start of the development of the Agnew nickel project in Australia exemplify our progress towards our corporate aims.

Through mining ventures such as Agnew we see our Company obtaining the growth in earnings and return on assets which is our objective. Because of the time necessary to bring mining operations to the profit earning stage we recognised a need for a more immediate cash flow and we are meeting that need successfully.

During the last financial year we increased our attributable profit by some 72%.

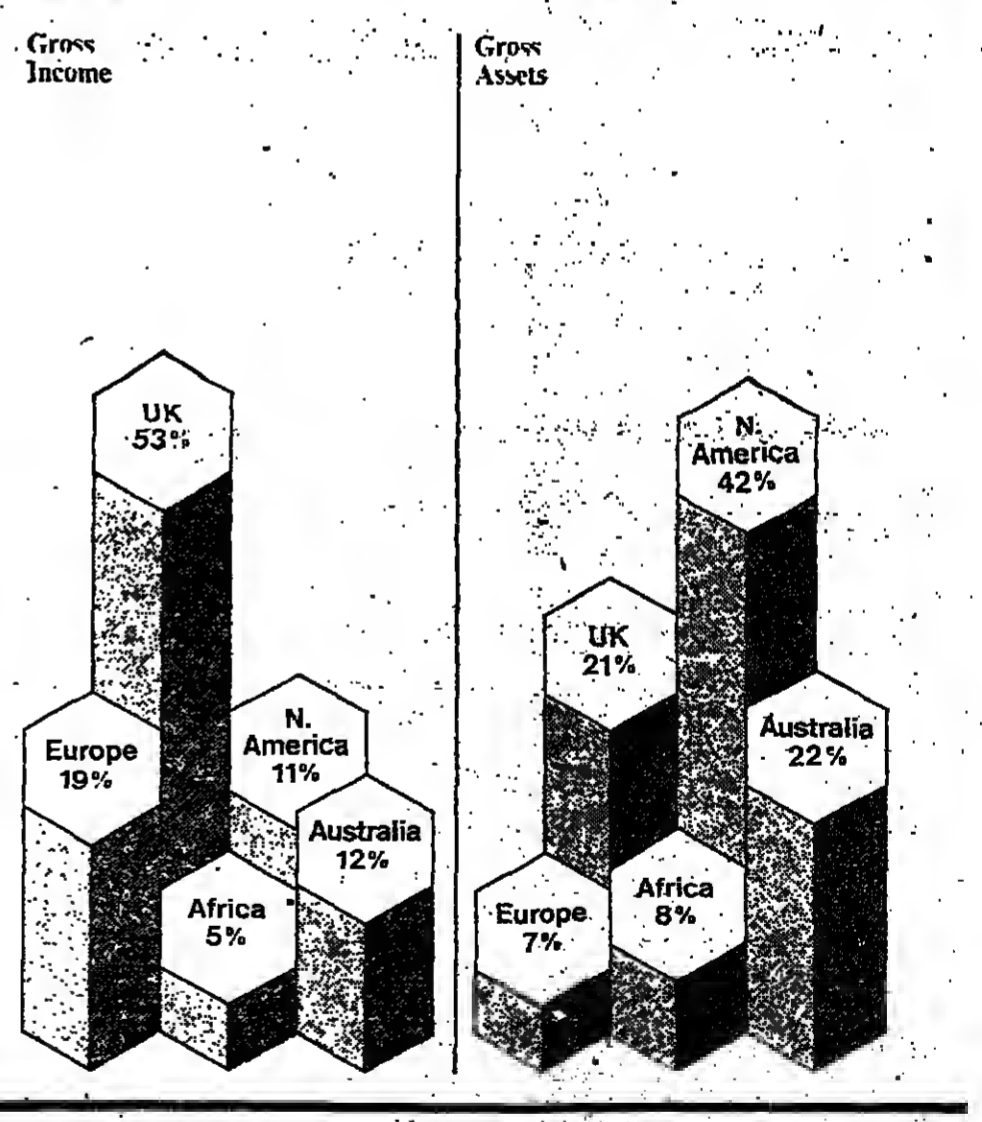
In parallel with our successful financial results there have been developments in the field which have a potential longer-term significance for our business.

By the end of 1978 we should be in the happy position of seeing three important developments come on stream, namely the Agnew nickel project, the Unisel gold mine in South Africa and the expansion of the K 13 gas field in the Dutch sector of the North Sea. In addition we may well have plans then to develop the Detour mining project in Canada.

We are in the process of evaluating the possibility of undertaking an open cast mining operation at Tenton Bore in Australia, which is the newest discovery we have made in the course of our exploration for minerals.

Copies of the Statement and of the Annual Report are obtainable from Selection Trust Limited, 15, Abchurch Lane, London EC4N 3BU.

Results for the year ended March 31st. Revenue £31,540,000, Expenditure £13,280,000, Profit before tax £18,260,000, Net Profit £10,480,000, Earnings per share 36.0p, Net assets £197,000,000.



W. WILLIAMS & SONS (HOLDINGS) LIMITED. Non-Ferrous Founders and Engineers. From the statement by the Chairman, Mr. Hiram H. Williams, for the year ended 26th December, 1976. Group Profit before Taxation of £182,895 was achieved, against the previous year's figure of £94,326.

Alexanders DISCOUNT COMPANY LIMITED. INTERIM STATEMENT Half year ended 30th June 1977. The profits for the half year ended 30th June, 1977 were materially higher than for the corresponding period last year. This was largely brought about by the rapid fall in interest rates during the first three months and more stable conditions since then have enabled a satisfactory level of profit to be maintained.

Selection Trust Limited. A British-based mining finance house with an international spread of interests and operations the most important of which relate to: mining, minerals and metals; investment; contracting and civil engineering; off-shore oil and gas.

AUSTRALIAN NEWS

# ICI Australia to raise \$A59.5m.

SYDNEY, July 4

ICI AUSTRALIA plans to raise \$A59.5m. through a rights issue — its first approach to shareholders for funds since 1965. It is one of the largest equity raisings in Australia, overshadowed only by Broken Hill Proprietary's \$A88m. late last year. However, only \$A22.5m. has to be found by Australian investors. The rest will be put up by the 63 per cent. shareholder ICI of the U.K., which has signified that it will take up in full its \$A37m. entitlement.

Shareholders will receive two new shares for every five held. The issue price is \$A1.50 a share, which compares with today's closing market price of \$A1.85.

ICI is not the first major industrial group to break its equity issue drought. Australian Consolidated Industries, the major packaging group, announced a \$A21m. rights issue about two weeks ago after a break of almost nine years. ICI directors said the funds from the cash issue would be employed in the planned expansion of the company's operations in Australia, including the recently announced \$A80m. polypropylene plant in Sydney and the \$A37m. polyvinyl chloride plant in Melbourne. However, observers suggest the group would not have needed to seek equity funds of this magnitude merely for capital expansion of around that size. The issue will considerably enhance the group's gearing ratio and clear the way for much larger borrowings if needed at a later stage.

ICI has for some time been studying the possibility of building a \$A300m. ethylene plant at its Sydney petrochemical complex. It has become something of a race as two other groups, Esso-Mobil and Dow Chemical of the U.S., are also considering ethylene crackers. The domestic market can only support one new plant at a time. If ICI goes ahead with this venture, it would almost certainly need large borrowings.

The cash issue is payable in two instalments of 76c. on or before September 23 and on or before March 31, 1978. The directors expect the company will pay a dividend of at least 14c a share on the higher capital, which compares with 13c in 1976. This would require extra profits of at least \$A3.5m. a year to service the dividend requirement.

Last year ICI earned \$A21.5m. and in the first half of the current year increased earnings 53 per cent. to \$A14m. The interim dividend was lifted from 5c to 6c a share.

The Australian shareholder portion of the issue is underwritten by local sharebroking firm, Potter Partners. Rights trading will start on August 1 and entitlement and acceptance forms will be posted about August 15.

Conzinc Riotinto of Australia, itself controlled by Rio Tinto Zinc Corporation of the U.K., is buying a second zinc smelter in the U.S. for \$15.10m.

AM and S has bought the issued capital of Pacific Smelting Company which operates the U.S. smelter. AM and S will put up half the funds with the remainder provided by U.S. banks.

The smelter, small by international standards, is in California and has an average annual capacity of 40,000 tonnes of zinc scrap feedstock, which is recycled to produce zinc oxide, zinc dust and zinc metal.

In addition to its major Australian operations the company has a half interest with Billiton in an electrolytic zinc smelter at Budle in the Netherlands.

Pacific Smelter, which also sells some primary zinc metal and cadmium, will be operated as a continuing business under existing management.

## William Adams lifts profit

WILLIAM ADAMS AND CO. steel, aluminium merchant manufacturer and distributor of Caterpillar earthmoving equipment, boosted earnings 23 per cent. from \$A2.8m. to \$A3.2m. in the year to April 30. The final dividend is 8.5c a share, lifting the payout for the year to 15c. Last year the company paid 14c and in 1976-77c. The increase was achieved on a 23.6 per cent rise in sales to \$A99.5m., but profit margins edged back from 3.3c. to 3.2c. in the dollar.

The directors said that despite the cuthack in Government spending, which affected sales of earthmoving machinery, the number of Caterpillar machines sold in the company's franchise areas had risen.

The metal merchant subsidiary had to cope with lower demand for steel, but aluminium sales remained strong. This year the company is again budgeting for a record profit in the current straight share swap or a cash alternative.

Last year William Adams was involved in a short-lived takeover struggle with engineer, Comeng Brothers.

## Gadsden bids \$16.4m. for Cons. Foods

PACKAGING group J. Gadsden Australia is bidding \$A16.4m. to acquire milk and dairy foods group, Consolidated Foods. The bid was no surprise as the companies recently announced that they were holding takeover negotiations. Gadsden, which has been looking for diversification avenues, has offered a straight share swap or a cash alternative.

The share offer is one Gadsden bids for every two Consolidated Foods shares. This is worth 90

## Pilkington ACI back in profit

PILKINGTON ACI, Australia's only manufacturer of flat glass, returned to the earnings lists in the year to March after two years of heavy losses. The company reported a profit of \$A.3.3m. after losses of \$A.4.65m. in 1974-75 and \$A.450,000 in 1975-76.

However, directors warned that the company was in for a bad time in the current year as both its major markets, the building and automotive industries, were far from buoyant.

The improved result follows rationalisation moves, including the closure of the company's sheet glass plant in Sydney to enable greater utilisation of the more modern float glass operation in Victoria.

Directors pointed out that despite the improvement in

## Cockerill still in loss

COCKERILL S.A. continued to operate at a loss in the first half of 1977 after producing losses in 1976 and 1975. Julien Charlier, general manager of the major Belgian steel company says, reports AP-DJ.

In an interview with Le Nouveau Cockerill, the company's monthly magazine, Charlier said he is not satisfied with the results of the company so far this year.

The continued losses were described by the general manager to the general crisis on the European steel market and to insufficient productivity within the Cockerill Group.

Charlier specifically noted that during the first five months of this year there had been 183 work stoppages at Cockerill, losing the company exactly 18,893 working days.

## CII policy change an abdication critics claim

By David Curry

PARIS, July 4

THE DISMANTLING of the prototypes of a new generation of large computers designed by the French company CII before its merger with Honeywell-Bull has sparked off a new debate about American domination of this sensitive industry.

The decision, taken by the merged CII-Honeywell-Bull, is being attacked as an abdication from the market for large computers by the French majority-owned concern which leaves the sector dominated by IBM and by Honeywell, the American partner in CII-Honeywell-Bull.

The criticism of the CII-Honeywell-Bull decision to concentrate on the medium powered P7G system has provoked a sharp rejoinder from the company. Chairman, M. Jean-Pierre Brule, insists that the P7G, which will be available in four years time, will be the basis for computers far in excess of the capacity of the current range.

He also denies that clients of CII will have to look to Honeywell for new computers because of the abandonment of successors to present CII machines.

The decision to merge CII with Honeywell-Bull and opt for association with American technology rather than run in competition was a sharp about-turn by French authorities. The previous choice had been the association of CII with Philips of Holland and Siemens of Germany in the Unidata Consortium for the development of a range of European computers to challenge the Americans.

When CII was pulled out of Unidata in 1975 to be joined with Honeywell-Bull in a company in which Honeywell had a 47 per cent. stake, CII brought with it its work on very large computers begun with Unidata.

Although it was promised that work on these models would continue, their development costs and incompatibility with Honeywell products made them vulnerable to rationalisation of the product range of the merged companies, and it is likely that pressure from CII users and the Government kept the project alive.

The development of the sophisticated P7G medium-powered machine subsequently modified to the P7C which CII saw as being capable of diversification to cover a wide field of uses clinched the fate of the large computers, particularly as the company could point to the need to keep research costs down if it was to fulfil financial targets.

Opponents of this strategy argue that the P7G will face severe competition from "de-rated" big computers and beefed-up mini-computers.

M. Jean-Pierre Brule says the company now offers two big computers to customers, the Honeywell-designed 66 and the IRIS-60 from CII stable. It was developing more powerful products compatible with both these systems.

## Swedish Match opens 1977 with heavier losses

STOCKHOLM, July

BY WILLIAM DULLFORCE

THE Swedish Match Group reports a loss of Kr.14m. (£1.85m.) before extraordinary items for the first four months of this year. Sales decreased by 1 per cent to Kr.1.42bn. (£188m.) compared with the corresponding period last year.

The loss is Kr.13m. greater than for the first four months of 1976. It also represents a sharp setback from a relatively strong performance during the last four months of 1976, when a loss of Kr.4m. at the eight-month stage was transformed into a Kr.50m. pre-tax profit for the year as a whole.

The earnings fall was overshadowed by the outgoing managing director, Mr. Rolf Deino, in the 1976 annual report when he warned that earnings this year would be held back by the costs of restructuring and consolidating the group.

He said the fight to ward off the takeover bid from the Kema-Nord chemicals group at the beginning of this year had delayed the reorganisation process.

The Kr.14m. loss is struck after depreciation at replacement cost of Kr.82m. The interim report says a new basis for estimating depreciation will be introduced in the final 1977 report, as the principles now applied give too high a figure for a realistic evaluation.

The improvement in the marketing situation for board, packaging and cardboard products during the first four months was not enough to make up for the continuing losses. The restructuring and development costs in the furniture and lighter fields. Low capacity utilisation in the machinery division has also strongly affected earnings.

The interim report gives no sales or earnings breakdown but promises one in the eight-month report. It confirms, however, that Swedish Match still spends heavily on the West German Kibel furniture operation, which is being cut through the second half of the year.

The building components and the rest of the interior products divisions increased sales and beat their profit targets, while the losses on the board division were reduced.

The Match division continues to show good profitability. The start-up problems in production of the new lighter range, coupled with the market investment resulted in heavy losses. After the sale of the Dutch Habertsmas concern the Eurodoor division has been reduced to two production units in France.

Investment in plant and machinery were Kr.55m. against Kr.75m. in the first four months of last year and working capital rose by Kr.60m. compared with Kr.37m. Cash and disposable bank holdings at the end of April were Kr.318m.

TREND INVEST, a fund management company active on the Stockholm Stock Exchange since 1973, applied for bankruptcy proceedings over the week-end after a provincial bank, Wermlandsbanken, had called in a Kr.12.5m. loan.

Swedish newspapers estimate that 400 shareholders have lost some Kr.300m. (\$40m.) on the funds they placed with the company. The figures have not been denied by Trend Invest.

## LAFARGE

28, rue Emile Mener, Paris 16e

Dividend for each share of F.Fr. 100 in respect of the year ended 31st December 1976	11.18
Avon fiscal (tax credit)	5.59
Gross amount	16.77

The dividend is payable as from 5th July 1977 against presentation of coupon number 34 or of the Sovam coupon certificate or upon endorsement of the registered certificate. The dividend is payable at certain bank and credit institutions in France. A list of the names and addresses of which is available at the offices of Kleinwort, Benson Limited, 20 Fenchurch Street, London, EC3P 3DB

## Australian Mining and Smelting deal

AUSTRALIAN MINING and Smelting, the silver, lead, zinc mining and refining arm of

## Demand for DM bonds grows

By Francis Ghiles

THE DOLLAR was quoted at its lowest for 27 months in Frankfurt yesterday as the movement into Deutsche mark bonds which had been gathering momentum last week continued. This fuelled rumours that the Bundesbank had for Minolta and the DM500m. bond for Norway would both have their coupons cut from the indicated 6 per cent. Last week Grand Metropolitan was able to cut the coupon on its DM600m. bond to 7 per cent.

In the dollar sector the market was buoyant. The \$400m. convertible for Mitsubishi Corporation due 1983 and carrying a 8 per cent. coupon was priced at par yesterday. The conversion rate is \$2.67 to the dollar. Lead Managers of the issue are Morgan Guaranty and Swiss Bank Corporation. The Canadian dollar market was quiet.

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## SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS					
Offer	Offer	Offer	Offer	Offer	Offer
Alexon Australia 5 1/2pc 1980	100 1/2	Qubeq 3 1/2pc 1978	100	Nabors 3 1/2pc 1980	102 1/2
Alexon Australia 5 1/2pc 1981	101 1/2	Reed Indus 5 1/2pc 1981	101 1/2	Oveco 5 1/2pc 1987	103 1/2
Australian M. & S. 5 1/2pc 201	101 1/2	St. Columba 5 1/2pc 1987	102 1/2	J. C. Pender 5 1/2pc 1987	99 3/4
Avonstar 5 1/2pc 1982	101 1/2	SWK 5 1/2pc 1987	98 3/4	Pioneer 5 1/2pc 1989	98 3/4
Beverly 5 1/2pc 1982	101 1/2	Univ. of Alaska 5 1/2pc 1987	100	Razmond 5 1/2pc 1989	100 1/2
Chadwell 5 1/2pc 1982	101 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Revlin 5 1/2pc 1987	100 1/2
Crédit National 5 1/2pc 1980	99 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Regold Metals 5 1/2pc 1988	98 1/2
Denmark 5 1/2pc 1984	102 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Sheriff 5 1/2pc 1987	99 1/2
ECB 5 1/2pc 1980	102 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	South 5 1/2pc 1987	99 1/2
EIB 5 1/2pc 1982	101 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Texas 5 1/2pc 1988	99 1/2
EMU 5 1/2pc 1989	100 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Toshiba 5 1/2pc 1989	100 1/2
Esso 5 1/2pc 1980	100 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Union Carbide 5 1/2pc 1982	101 1/2
Esso 5 1/2pc 1982	100 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Warner Lambert 5 1/2pc 1987	98 1/2
Esso 5 1/2pc 1984	100 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Warner Lambert 5 1/2pc 1989	98 1/2
Esso 5 1/2pc 1986	100 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Werner Lambert 5 1/2pc 1989	98 1/2
Esso 5 1/2pc 1987	99 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Xerox 5 1/2pc 1988	99 1/2
Esso 5 1/2pc 1988	99 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Xerox 5 1/2pc 1989	99 1/2
Esso 5 1/2pc 1989	99 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2	Source: Kidder, Peabody Securities.	
Esso 5 1/2pc 1990	99 1/2	Univ. of Alaska 5 1/2pc 1987	100 1/2		

## Volkswagen improved profits

JOHANNESBURG, July

BY RICHARD ROLFE

THE AFRIKANER group Volkswagen, which is the third biggest bank in South Africa after Barclays National and Standard, increased net operating income before provisions, from R2.1m. to R1.8m. in its year to March 31 and paid a dividend of 20c against 19c the year before.

Advances rose from R888m. to R916m. and deposits from R1.7bn. to R1.8bn. This compares with Standard's recently announced figures of R1.9bn. and R2.7m. respectively.

Barclays National, whose year ends September 30, showed advances of R2.1bn. and deposits of R3.2bn. at this date last year, making it the biggest of the local banks.

Volkswagen, which handles a good deal of municipality and state funds, is a very conservatively managed group, and its prospects to the beleaguered property sector is slight. However, the report does record that its loans to the township developer van Achterberg, now in liquidation, were R15m., though it is optimistic that "No loss of capital is expected over the long term."

Volkswagen has long had links with the life group Sanlam, which formerly held 23 per cent. of Volkswagen. Sanlam recently, through its associate Bankrup, acquired the Trust Bank which could herald heightened competition between the two.

Sanlam has sold its Volkswagen stake down to 10 per cent., the balance of the shareholding having passed to the Rembrandt tobacco and wine group, which has become Volkswagen's largest shareholder.

However, Rembrandt will have little influence over Volkswagen, whose latest report states that the shareholding "Does not give the Rembrandt group the right of representation on the Board." The possibility that Rembrandt is holding Volkswagen as a ware-

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Voest-Alpine in talks on U.S. coalmines purchases

STOCKHOLM. Mr. Erlend... managing director... U.S. coalmines by Voest-Alpine... talks on the purchase of coalmines in West Virginia...

Scholten to be new Robeco president

AMSTERDAM, July 4. ROBEKO, Europe's leading investment complex, has picked an outsider to succeed its president, Mr. Ewald Brouwer...

Cotton spinners pass dividends

THE BUSINESS performance of Japan's nine leading cotton spinners deteriorated sharply in the second half of the fiscal year ended April 1977... The industry's disastrous profit performance in the second six months reflected the slump in the cotton yarn market...

Chemie Linz repeats 5%

VIENNA, July 4. CHEMIE LINZ, the leading Austrian chemical company, announced an unchanged dividend of 5 per cent on its Sch.545m...

Outlook at Komatsu

TOKYO, July 4. CONSOLIDATED net sales of Komatsu Ltd., Japan's leading maker of construction machinery, are expected to show a rise of about 10 per cent in 1977...

Whitecroft advertisement. Text: "... Whitecroft has achieved a more than fourfold increase in profit before taxation in the five years to 31st March 1977... Dividend increased by 125%... Table with financial data for 1977 and 1976: Turnover, Profit before taxation, Dividends, Earnings.

Elite earnings rise to £1.76m.

ELITE, the company which accounts for some 90 per cent of Israel's confectionery market and 95 per cent of coffee sales...

Warning from Smart Shirts

A WARNING SIGNAL for Hong Kong's clothing exporters was given by Smart Shirts, whose Board announced a record profit of \$HK\$14.6m for the year to March 31, against \$HK\$11.05m in 1975-76...

Scandinavian Far East

SCANDINAVIAN Far East, the wholly-owned subsidiary of Scandinavian Bank, reports pre-tax profits for the year to March 31 of \$US\$25,000 (\$HK\$1.2m), an increase of 127 per cent over those for the previous year...

Income boost at Hapoalim

THE INVESTMENT company of Bank Hapoalim—Israel's second largest bank and among the world's 120 largest—reports a 29 per cent rise in consolidated income for 1976 to just over \$500,000 sterling, its pre-tax profit having risen by 72 per cent to \$750,000...

The Harper Group Common Stock advertisement. Text: "650,000 Shares The Harper Group Common Stock". Lists various financial institutions and banks: Smith Barney, Harris Upham & Co., Hambrecht & Quist, Blyth Eastman Dillon & Co., Drexel Burnham Lambert, etc.

# Canada mixed in early dealings Dollar weak

BY OUR TORONTO CORRESPONDENT

TORONTO, July 4

The U.S. dollar fell sharply on the day. Forward sterling was slightly firmer following the rise in the U.K. official reserve last night to a record level, but there was no very strong reaction to the figures.

Gold fell \$1 to \$140-141 in fairly quiet trading.

The U.S. dollar fell sharply on the day. Forward sterling was slightly firmer following the rise in the U.K. official reserve last night to a record level, but there was no very strong reaction to the figures.

**CANADIAN STOCK MARKETS** Socialist Party in a local election continued mixed in morning and the continuing weakness of commodities with the Toronto Composite index down 1.4 to 517.95.

Oil and Gas stocks were sharply on index, down 17.5 to 1172.50. Home Petroleum closed down \$1 to \$40. Bow Valley Industries \$1 to \$20. Imperial Oil \$1 to \$20.5 and Gulf Oil Canada \$1 to \$25.1.

The Metals and Minerals Index moved up 6.4 to 1094.4. Golds closed 0.21 to 236.25 and Peppers eased 0.03 to 97.73.

**SWITZERLAND** - Markets closed narrowly mixed in quiet trading. Swiss Bear continued its upward trend under the impact of its further improved earnings power, announced last week.

Leading Banks were generally very steady, while Financials, Insurances and Industrials were narrowly mixed.

In a moderately active Foreign sector, Dollar stocks were steadier while Dutch stocks were barely steady and German issues rose.

**USA** - The U.S. dollar fell sharply on the day. Forward sterling was slightly firmer following the rise in the U.K. official reserve last night to a record level, but there was no very strong reaction to the figures.

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**OTHER MARKETS**

PARIS - The market firmed slightly in this trading following reports of a possible improvement in the poor performance of the other way. Dutch Industrials

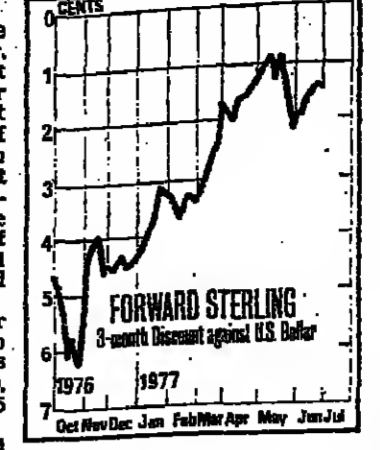
**AMSTERDAM** - Market closed active and rose \$3 to \$11. Royal Bank of Canada dipped \$1 to \$29.5 but Bell Canada rose \$1 to \$53.5 and Bank of Montreal \$1 to \$18.

Among Internationals Alcoa was up \$0.10 to \$20.7, and Phillips 66 \$1.1 to \$22.8. Ford rose \$0.25 to \$14.25. Unilever rose \$1.03 to 123.30.

**EURO CURRENCY INTEREST RATES**

July 4

Rate	Bank	Term	Rate	Bank	Term
1.50	Barclays	3 months	1.75	Deutsche	3 months
1.50	Commerzbank	6 months	1.75	Industriewahl	6 months



**COPENHAGEN** - Market was mixed in moderate dealings. OSL - Industrials and Shipings were quiet, while Bankings and Insurances were slightly firmer.

**VIENNA** - Generally steady.

**MILAN** - Quietly easing after profit taking following gains of recent weeks, although a slight improvement at the close. Unions noted towards the close.

**JOHANNESBURG** - Gold shares were quiet, but Palamisa gained 10 cents to R9.90.

Platinum were little changed. Tins and Collieries were quietly steady.

**AUSTRALIA** - Industrials were firmer while Mines eased in light trading.

**EXCHANGE CROSS-RATES**

July 4

City	Rate	City	Rate
London	1.00	Paris	6.55
New York	0.72	Frankfurt	5.25
Hong Kong	10.10	Mumbai	17.50

**SPECIAL DRAWING**

Country	Rate	Country	Rate
USA	0.72	Japan	10.10
UK	1.00	Australia	1.50
France	6.55	Canada	0.72

**FOREIGN EXCHANGES**

City	Rate	City	Rate
New York	0.72	London	1.00
Hong Kong	10.10	India	17.50
Singapore	10.10	Philippines	17.50

**INDICES**

**NEW YORK - DOW JONES**

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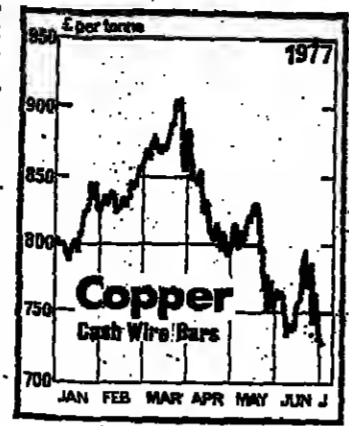
FARMING AND RAW MATERIALS

Australian wool price adjustments

MELBOURNE July 4. THE AUSTRALIAN Wool Corporation has raised 1977-78 floor prices for carding types by six to seven cents a kilo clear but lowered the finer fleeces floors by seven to nine cents...

Early U.S. copper strike settlement agreed

THE U.S. copper workers' strike appears to have ended almost before it started. It was confirmed yesterday that over the week-end the copper workers union had approved the terms of new labour contracts with two major producers...



Copper prices can fall much lower than the present depressed levels. Nevertheless the outlook is distinctly gloomy for producers. Surplus stocks, built up in anticipation of a possible strike, will mean that demand from consumers is likely to remain at a low ebb especially during the traditionally quiet summer months...

Australia sells more wheat to China

CANBERRA, July 4. AUSTRALIA has sold another 3m tonnes of wheat to China at an estimated cost of \$280m (£179m). The contract, signed in Beijing to-day, is the largest ever negotiated by the Australian Wheat Board...

Silk to urge EEC farm policy reform

MR JOHN SILKIN, Minister of Agriculture, has welcomed the results of the meeting of the Council of Agricultural Ministers. He says it will give him the opportunity of seeking to reform the Common Agricultural Policy...

No decision at oilseeds pact talks

GENEVA, July 4. A PREPARATORY meeting on a vegetable oils and oilseeds pact has ended here without reaching a decision as to the possibilities of market regulation.

Maximum levy for iso-glucose

BRUSSELS, July 4. import levy of \$2.12 units of account per 100 kilos. Well aware of the exceptional conditions which are being created by the production levy by iso-glucose manufacturers...

Sugar at four-year low

NEARBY POSITIONS on the London sugar market fell to the lowest levels for nearly four years yesterday with the September quotation ending £3.375 lower at £17.35 a tonne.

'Support' buying boosts coffee

COFFEE FUTURES prices on the London terminal market rose sharply yesterday in response to heavy buying from a single source. Dealers thought the buying represented market support by Brazil...

Greek/Dutch compromise

EUROPEAN COFFEE exporters have agreed to review contracts with Greek importers following a compromise offer made by the Greek Ministry of Commerce.

GHANA COCOA PURCHASES

ACCRA, July 4. The Ghana Cocoa Marketing Board announced that purchases of this year's mid-crop cocoa for the two weeks ended June 30...

COMMODITY MARKET REPORTS AND PRICES

Table with columns for Commodity, Unit, and Price. Includes sections for BASE METALS, COPPER, and OILSEEDS.

Table with columns for Commodity, Unit, and Price. Includes sections for GRAINS, WHEAT, and BARLEY.

Table with columns for Commodity, Unit, and Price. Includes sections for SOYABEAN MEAL, SUGAR, and COFFEE.

Table with columns for Commodity, Unit, and Price. Includes sections for PRICE CHANGES and FISH.

HISTORY TODAY. Edited by Peter Quennell and Alan Hodge. The JULY issue includes: TWO BISHOPS OF WINCHESTER, THE AFTERMATH OF NIVELLE, 1917, AENEAS SILVIUS PICCOLOMINI: HUMANIST AND POPE, FROM OUR OWN CORRESPONDENT: FLORA SHAW ON THE KLONDIKE, WRITING NEWS AND KEEPING COFFEE HOUSES: During the Peninsular War, THE TROUBLES OF THE YORKSHIRE PLUMPTONS.

Table with columns for Commodity, Unit, and Price. Includes sections for SILVER, COFFEE, MEAT/VEGETABLES, and COCOA.

Table with columns for Commodity, Unit, and Price. Includes sections for RUBBER, WOOL FUTURES, and FINANCIAL TIMES.

THEAKSTON'S sell its inns. THEAKSTON'S the real ale brewers of Masham, North Yorkshire are moving out of their city inn business. The company's remaining three inns in North Yorkshire are being auctioned next month.

ART GALLERIES. PARKER GALLERY, 2, Abchurch Lane, London EC4N 3AB. GILBERT PARR GALLERY, 285, King's Road, Chelsea, S.W.3.

Table with columns for Commodity, Unit, and Price. Includes sections for MEAT/VEGETABLES and COCOA.

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THEAKSTON'S sell its inns. THEAKSTON'S the real ale brewers of Masham, North Yorkshire are moving out of their city inn business. The company's remaining three inns in North Yorkshire are being auctioned next month.

STOCK EXCHANGE REPORT Markets above worst after currency reserve figures Trade in equity leaders slow—Index ends 1.6 down at 449.6

Account Dealing Dates Option "First Declara- Last Account Dealings Dates July 13, 23, 24, 25, 26, 27, 28, 29, 30, 31, 1977. July 13, 23, 24, 25, 26, 27, 28, 29, 30, 31, 1977. July 13, 23, 24, 25, 26, 27, 28, 29, 30, 31, 1977.

Markets yesterday traded thinly any for the most part at levels slightly below last Friday's close, but the tone improved in the late afternoon following announcement of the big improvement last month in the U.K. currency reserves.

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declined 5 to 74p, but Fisons raised 3 to 84p, and Lankor put on 4 to 85p while Conkrite 3 bettering later aided by the announcement of last month's official reserves which were better than expected to close unchanged on the day.

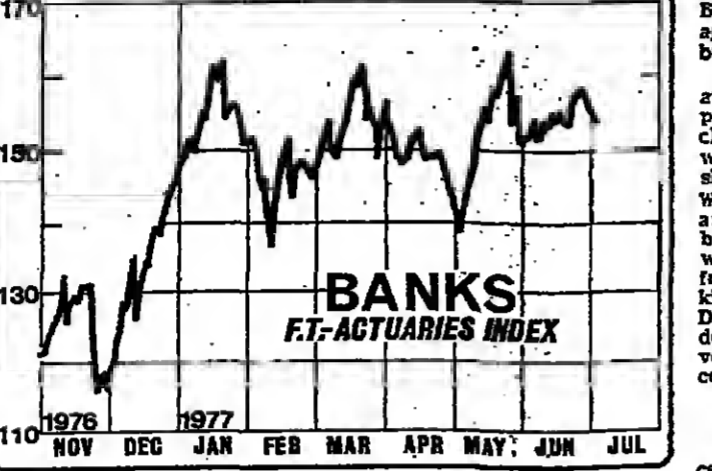
Blackman & Conrad dip Poor figures and the dividend omission upset Blackman and Conrad, which dipped 10 to 18p. Elsewhere in Stores, the leaders tended a penny or two easier where changed but often ended above the day's worst.

on buying in a thin market, while gains of 4 were seen in both Empire Stores, 138p, and Status Discount, 63p. Losses of that amount, however, were sustained by Cope Sportswear, 85p, and Bards (Furnishers), 44p.

Press comment on the chairman's review. Hamlyn Gibson reflected trading views with a gain of 4 to 281p, while rises of 3 were seen in Ocean Transport, 151p, and P. and O. Deferred, 147p.

Associated Newspapers disappointed optimists, with pre-tax profits below expectations and the close was 3 lower at 192p. The FT-Actuaries share gain of 44 British Leyland, at 23p, made no apparent response to news of buoyant trading in the U.S.

BP active Most of the interest in Oil centred on British Petroleum party-paid shares, which traded fairly briskly and closed 3 dearer at 378p. BP fully-paid ended without alteration at 830p.



FINANCIAL TIMES STOCK INDICES Table with columns for various indices (Government, Fixed Interest, Industrial Ordinary, etc.) and dates (July 1, July 2, etc.).

HIGHS AND LOWS S.E. ACTIVE Table showing high and low prices for various stocks and active stock movements.

ACTIVE STOCKS Table listing various stocks with columns for Denomination, No. of Shares, Closing Price, Change on Day, and 1977 Price.

NEW HIGHS AND LOWS FOR 1977 Table listing new high and low prices for various stocks in 1977.

ENTERTAINMENT GUIDE

Opera & Ballet, Theatres, Music, and other entertainment listings. Includes details for Coliseum, Royal Opera House, and various theatres.

RECENT ISSUES EQUITIES

Table of recent equity issues including company names, issue sizes, and dates.

FIXED INTEREST STOCKS

Table of fixed interest stocks including company names, issue sizes, and dates.

"RIGHTS" OFFERS

Table of rights offers including company names, issue sizes, and dates.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-Actuaries Share Indices showing various equity groups and their performance.

FIXED INTEREST PRICE INDICES

Table of fixed interest price indices showing various fixed interest yields and prices.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

STOCK INDICES table with columns for various indices and their values.

STOCKS table listing various stock names and their prices.

INDICES table listing various indices and their values.

Table of authorised unit trusts including Abbey Unit Trst, Allied Finance Group, and others.

Table of authorised unit trusts including Brown Shipley & Co, Guardian Royal Ex. Unit, and others.

Table of offshore and overseas funds including Arbuthnot Securities, Fidelity Mgmt. & Res. (Bds) Ltd., and others.

BASE LENDING RATES table listing various banks and their interest rates.

Table of authorised unit trusts including Abbey Unit Trst, Allied Finance Group, and others.

Table of insurance, property, and bonds including Abbey Life Assurance, Equities & Law Life Ass., and others.

Advertisement for 'Do you want to buy...?' with various offers and contact information.

Advertisement for 'CLIVE INVESTMENTS LIMITED' and 'INSURANCE BASE RATES'.

FT SHARE INFORMATION SERVICE

Factoring means GUARANTEED PAYMENT! Interested? Talk to INTERNATIONAL FACTORS LIMITED

1957 High Low Stock Price Div. Yield %

Table with columns: High, Low, Stock, Price, Div., Yield %

BRITISH FUNDS

Table with columns: High, Low, Stock, Price, Div., Yield %

Over Fifteen Years

Table with columns: High, Low, Stock, Price, Div., Yield %

Undated

Table with columns: High, Low, Stock, Price, Div., Yield %

INTERNATIONAL BANK

Table with columns: High, Low, Stock, Price, Div., Yield %

COOPERATION LOANS

Table with columns: High, Low, Stock, Price, Div., Yield %

COMMONWEALTH & AFRICAN LOANS

Table with columns: High, Low, Stock, Price, Div., Yield %

LOANS (Miscel.)

Table with columns: High, Low, Stock, Price, Div., Yield %

FOREIGN BONDS & RAILS

Table with columns: High, Low, Stock, Price, Div., Yield %

AMERICANS

Table with columns: High, Low, Stock, Price, Div., Yield %

CANADAINS

Table with columns: High, Low, Stock, Price, Div., Yield %

BANKS AND BIRK PURCHASE

Table with columns: High, Low, Stock, Price, Div., Yield %

BEERS, WINES AND SPIRITS

Table with columns: High, Low, Stock, Price, Div., Yield %

REPAIRS, ETC.

Table with columns: High, Low, Stock, Price, Div., Yield %

CINEMAS, THEATRES AND TV

Table with columns: High, Low, Stock, Price, Div., Yield %

BUILDING INDUSTRY, TIMBER AND ROADS

Table with columns: High, Low, Stock, Price, Div., Yield %

BUILDING INDUSTRY - Continued

Table with columns: High, Low, Stock, Price, Div., Yield %

ELECTRICAL AND RADIO

Table with columns: High, Low, Stock, Price, Div., Yield %

CHEMICALS, PLASTICS

Table with columns: High, Low, Stock, Price, Div., Yield %

DRAPERY AND STORES

Table with columns: High, Low, Stock, Price, Div., Yield %

DRAPERY AND STORES - Continued

Table with columns: High, Low, Stock, Price, Div., Yield %

ENGINEERING - Continued

Table with columns: High, Low, Stock, Price, Div., Yield %

ENGINEERING, MACHINE TOOLS

Table with columns: High, Low, Stock, Price, Div., Yield %

FOOD, GROCERIES, ETC.

Table with columns: High, Low, Stock, Price, Div., Yield %

ENGINEERING - Continued

Table with columns: High, Low, Stock, Price, Div., Yield %

HOTELS AND CATERERS

Table with columns: High, Low, Stock, Price, Div., Yield %

Main table of stock prices and yields for various companies, including Industrials (Misc.)

Handwritten text at the bottom of the page

NOTES, AIRCRAFT, TRUCKS

Table with columns for Motor and Cycle, Make, Model, Price, etc.

Commercial Vehicle

Table with columns for Make, Model, Price, etc.

Components

Table with columns for Make, Model, Price, etc.

Garages and Distributors

Table with columns for Name, Address, Phone, etc.

NEWSPAPERS, PUBLISHERS

Table with columns for Name, Address, Phone, etc.

PAINTER, ADVERTISING

Table with columns for Name, Address, Phone, etc.

PROPERTY

Table with columns for Name, Address, Price, etc.

INSURANCE

Table with columns for Name, Address, Phone, etc.

PROPERTY - Continued

Table with columns for Name, Address, Price, etc.

SHIPS, BUILDERS, REPAIRERS

Table with columns for Name, Address, Phone, etc.

PROPERTY - Continued

Table with columns for Name, Address, Price, etc.

SHIPPING

Table with columns for Name, Address, Phone, etc.

SHOES AND LEATHER

Table with columns for Name, Address, Phone, etc.

SOUTH AFRICANS

Table with columns for Name, Address, Phone, etc.

TEXTILES

Table with columns for Name, Address, Phone, etc.

TOBACCO

Table with columns for Name, Address, Phone, etc.

TRUSTS, FINANCE, LAND

Table with columns for Name, Address, Phone, etc.

FINANCE, LAND, etc.

Table with columns for Name, Address, Phone, etc.

DIAMOND AND PLATINUM

Table with columns for Name, Address, Phone, etc.

TRUSTS - Continued

Table with columns for Name, Address, Price, etc.

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TRUSTS - Continued

Table with columns for Name, Address, Price, etc.

YASUDA TRUST AND BANKING logo and text.

MINES - Continued

Table with columns for Name, Address, Price, etc.

AUSTRALIAN

Table with columns for Name, Address, Price, etc.

TINS

Table with columns for Name, Address, Price, etc.

COPPER

Table with columns for Name, Address, Price, etc.

MISCELLANEOUS

Table with columns for Name, Address, Price, etc.

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominated in pence.

TEAS

Table with columns for Name, Address, Price, etc.

MINES

Table with columns for Name, Address, Price, etc.

EASTERN RAND

Table with columns for Name, Address, Price, etc.

Small advertisement or notice.

RECENT ISSUES

Table with columns for Name, Address, Price, etc.

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Demirel will try to form Government

BY METIN MUNIR

ANKARA, July 4.

MR. SULEYMAN DEMIREL, leader of the conservative Justice Party, today accepted an invitation from President Korkut to form a new Turkish Government...

Moves to cool postal dispute over Grunwick

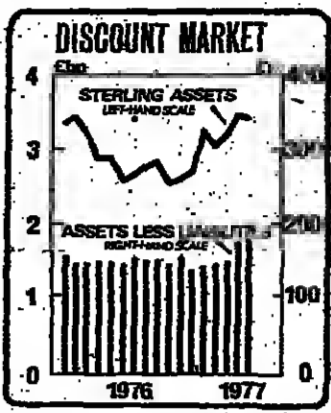
BY DAVID FREUD, INDUSTRIAL STAFF

POST OFFICE management and union officials took steps yesterday to defuse the dispute over the unofficial blocking of Grunwick mail.

THE LEX COLUMN

The next battle of Trafalgar

Index fell 1.6 to 449.6



Much of the large jump of \$1.67bn. in the official reserves last month can be explained by special factors like the BNOC loan...

Alexanders Discount

The first quarter bonanza naturally dominated Alexanders Discount's first six months, but the "materially" higher profits also reflect the reasonable level of profitability which has been maintained since then.

Mercury Secs.

A 14 per cent rise to 530 in net disclosed banking profits during the year to March leaves Mercury Securities at the bottom end of the profit growth table for the big acceptor of deposits in 1976-77.

Revised Price Code depends on pay deal

BY STUART ALEXANDER

THE GOVERNMENT is to go ahead with its price policy including margin controls and powers to freeze prices during investigations...

Jones tries to ensure unanimity on wages

By Christian Tyler, in Douglas

MR. JACK JONES and other leaders of the Transport and General Workers Union were trying last night to ensure that their union's conference does not ditch the incomes policy...

Silkin voting against direct elections

BY CHRISTOPHER PARKES

MR. JOHN SILKIN, Minister of Agriculture, announced yesterday that he will vote on Thursday night against direct elections in the European Parliament.

Continued from Page 1

Gormley

ingham £135 as a target for negotiation, but not one which has been achieved in a single jump this year.

Continued from Page 1

Dollar

another psychological level of 265 to the dollar. Yet the pressure has extended to the dollar's rates against other currencies.

LOWESTOFF BUS SERVICE CLOSED

The corporation bus service in Lowestoft, Suffolk, is being closed down after 70 years because it is losing money.

Clean-up

A FIVE-YEAR experiment costing £70,000 to try to solve the pollution problems of Barton Broad, Norfolk, where it is said Lord Nelson learned to sail, has been authorised by the Anglian Water Authority.

Weather section containing U.K. TO-DAY, BUSINESS CENTRES, HOLIDAY RESORTS, and a table of weather forecasts for various locations.

The Monks Investment Trust Limited advertisement featuring a summary of results for 1977, geographical distribution of investments, and a summary of the chairman's statement.